

# **Matzikama**

**MUNICIPALITY**



**UNAUDITED ANNUAL FINANCIAL STATEMENTS**

**30 JUNE 2019**

# MATZIKAMA MUNICIPALITY

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# MATZIKAMA MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### GENERAL INFORMATION

#### NATURE OF BUSINESS

Matzikama Municipality is a local municipality performing the functions as set out in the Constitution of the Republic of South Africa.

#### COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998) and are classified as a medium capacity municipality.

#### JURISDICTION

The Matzikama Municipality includes the following areas:

Vredendal  
Vanhynsdorp  
Klawer  
Koekenaap  
Lutzville  
Ebenhaezer  
Strandfontein  
Doringbaai  
Bitterfontein  
Nuwerus  
Stofkraal  
Molsvlei  
Rietpoort  
Kliprand

#### MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	J VAN DER HOOVEN
Deputy Executive Mayor	DD JENNER
Executive Councillor	A SINDYAMBA
Executive Councillor	WD LOFF
Executive Councillor	AFK JOB

#### MUNICIPAL MANAGER

DP LUBBE

#### CHIEF FINANCIAL OFFICER

GRJ SEAS

#### REGISTERED OFFICE

37 Church Street, Vredendal, 8160

#### AUDITORS

Auditor-General of South Africa, Private Bag X1, Chempet, 7442

#### PRINCIPLE BANKERS

ABSA Bank

#### ATTORNEYS

Swanepoel and Swanepoel Attorneys  
Koos Coetzee Attorneys  
Downing Engelbrecht

#### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALGBC

# MATZIKAMA MUNICIPALITY

## MEMBERS OF THE MATZIKAMA MUNICIPALITY

### COUNCILLORS

1	M CAROSINI
2	AFK JOB
3	AW LINKS
4	WD LOFF
5	NS LOUW
6	M BAINS
7	A SINDYAMBA
8	MV CLOETE
Proportional	J VAN DER HOOVEN
Proportional	WH NELL
Proportional	PG BOK
Proportional	NM NGOBO
Proportional	J DE JONGH
Proportional	XP TSHETU
Proportional	DD JENNER

### APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements for the year ended 30 JUNE 2019, which are set out on pages 9 to 58 in terms of Section 126 (1)(a) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2019 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and approved by council in concurrence with the MEC for Local Government in the province.

  
\_\_\_\_\_  
DP LUBBE  
Accounting Officer

30 AUGUST 2019  
\_\_\_\_\_  
Date

# MATZIKAMA MUNICIPALITY

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Notes	2019 R	Restated 2018 R
<b>NET ASSETS</b>		<b>594 898 386</b>	<b>526 107 209</b>
Capital Replacement Reserve	2	3 405 000	4 545 000
Accumulated Surplus		591 493 386	521 562 209
<b>LIABILITIES</b>			
<b>Non-Current Liabilities</b>		<b>122 622 694</b>	<b>113 917 152</b>
Borrowings	3	22 612 432	19 066 401
Provisions	4	100 010 261	94 850 751
<b>Current Liabilities</b>		<b>87 042 559</b>	<b>80 506 984</b>
Consumer Deposits	5	-	4 731 743
Provisions	6	13 992 596	11 298 102
Payables from exchange transactions	7	43 549 407	36 814 709
Unspent Transfers and Subsidies	8	22 745 722	22 699 967
Current portion of Borrowings	3	6 754 834	4 962 463
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>804 563 638</b>	<b>720 531 345</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>731 972 896</b>	<b>642 489 818</b>
Property, plant and equipment	10	643 264 012	574 327 723
Investment Property	11	87 882 500	67 344 800
Intangible Assets	12	491 717	610 882
Operating Lease Asset	17	78 536	86 179
Long-term Receivables	13	256 132	120 234
<b>Current Assets</b>		<b>72 590 742</b>	<b>78 041 526</b>
Cash and Cash Equivalents	18	31 424 554	46 452 617
Receivables from exchange transactions	15	25 621 327	19 098 490
Receivables from non-exchange transactions	16	8 584 624	9 839 172
Inventories	14	466 772	694 818
Taxes and transfers receivable	9	5 686 509	1 714 580
Transfers and Subsidies Receivable	8	30 915	-
Current portion of long-term receivables	13	768 397	240 466
Operating Lease Asset	17	7 643	1 383
<b>TOTAL ASSETS</b>		<b>804 563 638</b>	<b>720 531 345</b>

# MATZIKAMA MUNICIPALITY

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 R	Restated 2018 R
<b>REVENUE</b>			
<b>Exchange revenue</b>		<b>211 160 285</b>	<b>158 523 934</b>
Service charges	21	166 701 218	140 281 091
Sales of Goods and Rendering of Services	22	2 765 513	2 731 805
Rental of letting investment property and facilities	24	4 553 470	3 718 402
Interest earned	25	8 212 160	5 332 463
Licences and Permits		1 010 375	1 301 928
Agency Services	26	3 368 514	3 284 970
Actuarial Gains	4	601 061	1 033 873
Fair Value Adjustments		23 838 200	353 218
Gains on Sale Investment Property		109 774	486 184
<b>Non-exchange revenue</b>		<b>195 157 954</b>	<b>150 481 667</b>
Property rates	19	43 225 413	44 726 706
Fines, penalties and forfeits	37	16 446 782	10 835 350
Government grants and subsidies	20	103 518 016	94 911 850
Contributed property, plant and equipment	23	31 967 743	7 761
<b>Total Revenue</b>		<b>406 318 239</b>	<b>309 005 601</b>
<b>EXPENDITURE</b>			
Employee related costs	27	140 477 531	112 842 560
Remuneration of Councillors	29	6 935 002	6 839 312
Contracted Services	30	9 642 766	7 747 928
Debt Impairment	31	18 293 389	17 675 241
Depreciation and Amortisation	32	14 443 152	13 881 342
Finance Costs	33	8 231 262	8 242 399
Bulk Purchases	34	94 144 671	87 611 998
Transfers and Subsidies	36	1 249 219	1 436 453
Inventory Consumed	14	10 012 164	8 529 196
Operational Costs	38	33 810 945	24 420 618
Actuarial Loss	4	-	78 940
Impairment loss on Property, Plant and Equipment		118 756	144 484
Loss on disposal of Property, Plant and Equipment		147 001	649 006
Loss on Foreign Exchange		21 203	-
<b>Total Expenditure</b>		<b>337 527 061</b>	<b>290 099 477</b>
<b>NET SURPLUS FOR THE YEAR</b>		<b>68 791 178</b>	<b>18 906 124</b>

# MATZIKAMA MUNICIPALITY

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
<b>Balance at 30 June 2017 as previously stated</b>	<b>4 392 000</b>	<b>502 484 684</b>	<b>506 876 684</b>
Correction of error - note 40.4	-	324 400	324 400
<b>Restated Balance at 30 June 2017</b>	<b>4 392 000</b>	<b>502 809 084</b>	<b>507 201 084</b>
Net Surplus for the year	-	18 906 124	18 906 124
Transfer to/from CRR	4 545 000	(4 545 000)	-
Property, Plant and Equipment purchased	(4 392 000)	4 392 000	-
<b>Restated Balance at 30 June 2018</b>	<b>4 545 000</b>	<b>521 562 209</b>	<b>526 107 209</b>
Net Surplus for the year	-	68 791 178	68 791 178
Transfer to/from CRR	3 405 000	(3 405 000)	-
Property, Plant and Equipment purchased	(4 545 000)	4 545 000	-
<b>Balance at 30 JUNE 2019</b>	<b>3 405 000</b>	<b>591 493 386</b>	<b>594 898 386</b>

# MATZIKAMA MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 R	Restated 2018 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Taxes		43 452 431	39 973 080
Other income		5 725 458	9 165 020
Sale of goods and services		168 899 642	144 373 501
Government grants and transfers		103 532 855	116 882 885
Interest received		8 212 160	5 332 463
		<b>329 822 546</b>	<b>315 726 949</b>
<b>Payments</b>			
Employee cost		(142 836 438)	(116 394 429)
Suppliers		(142 225 368)	(108 311 203)
VAT paid		(3 971 929)	(1 276 601)
Finance cost		(8 231 262)	(8 242 399)
		<b>(297 264 997)</b>	<b>(234 224 632)</b>
<b>Net Cash from Operating Activities</b>		<b>32 557 549</b>	<b>81 502 317</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Property, Plant and Equipment		(47 719 340)	(38 330 278)
Acquisition of Intangible assets		-	(449 555)
Cash proceeds from the sales of investment property		183 774	1 204 184
Decrease in operating lease asset		1 384	(5 972)
Increase in Non-Current Debtors		(663 829)	(28 721)
<b>Net Cash from Investing Activities</b>		<b>(48 198 011)</b>	<b>(37 610 342)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
New loans raised		10 000 000	-
Borrowings repaid		(4 661 597)	(1 835 195)
(Decrease)/ Increase in consumer deposits		(4 726 004)	279 780
<b>Net Cash from Financing Activities</b>		<b>612 399</b>	<b>(1 555 415)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(15 028 063)</b>	<b>42 336 560</b>
Cash and Cash Equivalents at the beginning of the year		46 452 617	4 116 057
<b>Cash and Cash Equivalents at the end of the year</b>	<b>39.2</b>	<b>31 424 554</b>	<b>46 452 617</b>



# MATZIKAMA MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Original Budget	Budget Adjustments  (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds  (i.t.o. s31 of the MFMA)	Virement  (i.t.o. Council approved by- law)	Final Budget	Actual Outcome  2019	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	%
<b>ASSETS</b>								
<b>Current Assets</b>								
Cash	27 868 755	(3 275 454)	24 593 302	-	-	24 593 302	31 424 554	27.78%
Call Investment Deposits	-	-	-	-	-	-	-	0.00%
Consumer Debtors	26 805 851	1 641 510	28 447 362	-	-	28 447 362	28 001 386	-1.57%
Other Debtors	1 960 824	5 838 925	7 799 748	-	-	7 799 748	11 929 632	52.95%
Current Portion of long-term receivables	266 810	-	266 810	-	-	266 810	768 397	187.99%
Inventory	549 597	102 000	651 597	-	-	651 597	466 772	-28.36%
<b>Total Current Assets</b>	<b>57 451 837</b>	<b>4 306 981</b>	<b>61 758 818</b>	<b>-</b>	<b>-</b>	<b>61 758 818</b>	<b>72 590 742</b>	<b>17.54%</b>
<b>Non-Current Assets</b>								
Long-term Receivables	82 765	45 000	127 765	-	-	127 765	256 132	100.47%
Investments	-	-	-	-	-	-	-	-
Investment Property	67 691 582	10 167 718	77 859 300	-	-	77 859 300	87 882 500	12.87%
Investment in Associates	-	-	-	-	-	-	-	-
Property, Plant and Equipment	638 402 885	(7 253 264)	631 149 622	-	-	631 149 622	643 264 012	1.92%
Agricultural Assets	-	-	-	-	-	-	-	-
Biological Assets	-	-	-	-	-	-	-	-
Intangible Assets	590 051	(105 008)	485 043	-	-	485 043	491 717	1.38%
Other Non-Current Assets	-	-	-	-	-	-	78 536	100.00%
<b>Total Non-Current Assets</b>	<b>706 767 283</b>	<b>2 854 447</b>	<b>709 621 729</b>	<b>-</b>	<b>-</b>	<b>709 621 729</b>	<b>731 972 896</b>	<b>3.15%</b>
<b>TOTAL ASSETS</b>	<b>764 219 120</b>	<b>7 161 427</b>	<b>771 380 547</b>	<b>-</b>	<b>-</b>	<b>771 380 547</b>	<b>804 563 638</b>	<b>4.30%</b>
<b>LIABILITIES</b>								
<b>Current Liabilities</b>								
Bank Overdraft	-	-	-	-	-	-	-	-
Borrowing	5 648 594	1 644 740	7 293 334	-	-	7 293 334	6 754 834	-7.38%
Consumer Deposits	-	4 582 000	4 582 000	-	-	4 582 000	-	-100.00%
Trade and Other Payables	17 206 088	21 219 191	38 425 279	-	-	38 425 279	66 295 129	72.53%
Provisions	11 312 178	1 162 829	12 475 007	-	-	12 475 007	13 992 596	12.17%
<b>Total Current Liabilities</b>	<b>34 166 860</b>	<b>28 608 760</b>	<b>62 775 620</b>	<b>-</b>	<b>-</b>	<b>62 775 620</b>	<b>87 042 559</b>	<b>38.66%</b>
<b>Non-Current Liabilities</b>								
Borrowing	20 662 586	723 516	21 386 102	-	-	21 386 102	22 612 432	5.73%
Provisions	101 483 681	(4 211 866)	97 271 815	-	-	97 271 815	100 010 261	2.82%
<b>Total Non-Current Liabilities</b>	<b>122 146 266</b>	<b>(3 488 350)</b>	<b>118 657 917</b>	<b>-</b>	<b>-</b>	<b>118 657 917</b>	<b>122 622 694</b>	<b>3.34%</b>
<b>TOTAL LIABILITIES</b>	<b>156 313 126</b>	<b>25 120 411</b>	<b>181 433 537</b>	<b>-</b>	<b>-</b>	<b>181 433 537</b>	<b>209 665 252</b>	<b>15.56%</b>
<b>NET ASSETS</b>								
Accumulated Surplus/(Deficit)	603 360 993	(24 343 983)	579 017 010	-	-	579 017 010	591 493 386	2.15%
Reserves	4 545 000	6 385 000	10 930 000	-	-	10 930 000	3 405 000	-68.85%
<b>TOTAL NET ASSETS</b>	<b>607 905 993</b>	<b>(17 958 983)</b>	<b>589 947 010</b>	<b>-</b>	<b>-</b>	<b>589 947 010</b>	<b>594 898 386</b>	<b>0.84%</b>

EXPLANATORY NOTES ON ALL MATERIAL VARIANCES LARGER THAN 10% PRESENTED IN NOTE 53

# MATZIKAMA MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	Original Budget	Budget Adjustments	Final Adjustment Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
		(i.t.o. s28 and s31 of the MFMA)		(i.t.o. s31 of the MFMA)	(i.t.o. Council approved by- law)		2019	
	R	R	R	R	R	R	R	%
<b>REVENUE</b>								
Property Rates	47 103 449	6	47 103 455	-	-	47 103 455	43 225 413	-8.23%
Service Charges - Electricity Revenue	123 170 642	9	123 170 651	-	-	123 170 651	113 445 475	-7.90%
Service Charges - Water Revenue	15 308 237	6 988 000	22 296 237	-	-	22 296 237	22 624 919	1.47%
Service Charges - Sanitation Revenue	15 919 223	2	15 919 225	-	-	15 919 225	15 277 601	-4.03%
Service Charges - Refuse Revenue	16 257 957	2	16 257 959	-	-	16 257 959	15 353 223	-5.56%
Service Charges - Other Revenue	-	-	-	-	-	-	-	0.00%
Rental of Facilities and Equipment	1 512 527	825 003	2 337 530	-	-	2 337 530	2 290 411	-2.02%
Interest Earned - External Investments	1 632 150	1 900 000	3 532 150	-	-	3 532 150	3 311 815	-6.24%
Interest Earned - Outstanding Debtors	3 285 360	1 128 943	4 414 303	-	-	4 414 303	4 900 345	11.01%
Dividends Received	-	-	-	-	-	-	-	-
Fines	2 594 223	13 200 000	15 794 223	-	-	15 794 223	16 446 782	4.13%
Licences and Permits	1 126 499	2	1 126 501	-	-	1 126 501	1 010 375	-10.31%
Agency Services	3 233 758	300 000	3 533 758	-	-	3 533 758	3 368 514	-4.68%
Transfers and subsidies	64 089 480	4 386 305	68 475 785	-	-	68 475 785	64 101 543	-6.39%
Other Revenue	7 733 973	10 723 964	18 457 937	-	-	18 457 937	29 467 833	59.65%
Gains on Disposal of PPE	10 553 000	1	10 553 001	-	-	10 553 001	109 774	-98.96%
<b>transfers and contributions)</b>	<b>313 520 480</b>	<b>39 452 235</b>	<b>352 972 715</b>	<b>-</b>	<b>-</b>	<b>352 972 715</b>	<b>334 934 024</b>	<b>-5.11%</b>
<b>EXPENDITURE</b>								
Employee Related Costs	122 492 656	15 905 380	138 398 036	-	-	138 398 036	138 632 429	0.17%
Remuneration of Councillors	7 225 878	(290 873)	6 935 005	-	-	6 935 005	6 935 002	0.00%
Debt Impairment	13 478 000	4 322 000	17 800 000	-	-	17 800 000	18 293 389	2.77%
Depreciation and Asset Impairment	15 030 495	1 246 452	16 276 947	-	-	16 276 947	14 561 908	-10.54%
Finance Charges	10 099 272	(2 473 806)	7 625 466	-	-	7 625 466	8 231 262	7.94%
Bulk Purchases	94 443 187	(1)	94 443 186	-	-	94 443 186	94 144 671	-0.32%
Other Materials	11 701 833	1 395 713	13 097 546	-	-	13 097 546	9 839 306	0.00%
Contracted Services	10 785 857	6 522 838	17 308 695	-	-	17 308 695	9 642 766	-44.29%
Transfers and subsidies	1 511 494	25 199	1 536 693	-	-	1 536 693	1 249 219	-18.71%
Other Expenditure	26 539 106	12 869 205	39 408 311	-	-	39 408 311	35 850 108	-9.03%
Loss on Disposal of PPE	-	-	-	-	-	-	147 001	100.00%
<b>Total Expenditure</b>	<b>313 307 777</b>	<b>39 522 108</b>	<b>352 829 885</b>	<b>-</b>	<b>-</b>	<b>352 829 885</b>	<b>337 527 061</b>	<b>-4.34%</b>
<b>Surplus/(Deficit)</b>	<b>212 702</b>	<b>(69 872)</b>	<b>142 830</b>	<b>-</b>	<b>-</b>	<b>142 830</b>	<b>(2 593 037)</b>	<b>-1915.47%</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	40 317 228	12 307 878	52 625 106	-	-	52 625 106	37 751 191	-28.26%
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	5 000 000	-	5 000 000	-	-	5 000 000	1 665 281	-66.69%
Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	31 967 743	100.00%
<b>Transfers &amp; Contributions</b>	<b>45 529 930</b>	<b>12 238 006</b>	<b>57 767 936</b>	<b>-</b>	<b>-</b>	<b>57 767 936</b>	<b>68 791 178</b>	<b>19.08%</b>
Taxation	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after Taxation</b>	<b>45 529 930</b>	<b>12 238 006</b>	<b>57 767 936</b>	<b>-</b>	<b>-</b>	<b>57 767 936</b>	<b>68 791 178</b>	<b>19.08%</b>
Attributable to Minorities	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) Attributable to Municipality</b>	<b>45 529 930</b>	<b>12 238 006</b>	<b>57 767 936</b>	<b>-</b>	<b>-</b>	<b>57 767 936</b>	<b>68 791 178</b>	<b>19.08%</b>
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>45 529 930</b>	<b>12 238 006</b>	<b>57 767 936</b>	<b>-</b>	<b>-</b>	<b>57 767 936</b>	<b>68 791 178</b>	<b>19.08%</b>

EXPLANATORY NOTES ON ALL MATERIAL VARIANCES LARGER THAN 10% PRESENTED IN NOTE 53

# MATZIKAMA MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	Original Budget	Budget Adjustments  (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds  (i.t.o. s31 of the MFMA)	Virement  (i.t.o. Council approved by- law)	Final Budget	Actual Outcome  2019	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	%
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
<b>Receipts</b>								
Taxation	44 012 027	(512 562)	43 499 466	-	-	43 499 466	43 452 431	-0.11%
Service Charges	159 455 820	4 596 311	164 052 131	-	-	164 052 131	157 201 770	-4.18%
Other Revenue	18 393 101	1 054 487	19 447 588	-	-	19 447 588	17 423 330	-10.41%
Government - Operating	64 089 480	2 768 928	66 858 408	-	-	66 858 408	64 709 264	-3.21%
Government - Capital	40 317 228	(1 823 636)	38 493 592	-	-	38 493 592	38 823 591	0.86%
Interest	4 917 510	2 691 195	7 608 705	-	-	7 608 705	8 212 160	7.93%
Dividends	-	-	-	-	-	-	-	-
<b>Payments</b>								
Suppliers and Employees	(269 219 408)	(30 686 950)	(299 906 357)	-	-	(299 906 357)	(287 784 516)	-4.04%
Finance costs	(3 158 669)	1 385 549	(1 773 120)	-	-	(1 773 120)	(8 231 262)	364.22%
Transfers and Grants	(1 511 494)	(25 199)	(1 536 693)	-	-	(1 536 693)	(1 249 219)	-18.71%
<b>Net Cash from/(used) Operating Activities</b>	<b>57 295 596</b>	<b>(20 551 877)</b>	<b>36 743 719</b>	<b>-</b>	<b>-</b>	<b>36 743 719</b>	<b>32 557 550</b>	<b>-11.39%</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>								
<b>Receipts</b>								
Proceeds on disposal of PPE	10 553 000	-	10 553 000	-	-	10 553 000	183 774	-98.26%
Decrease/(Increase) in Non-Current Debtors	-	-	-	-	-	-	(662 445)	100.00%
Decrease/(Increase) in Other Non-Current Receivables	-	-	-	-	-	-	-	-
Decrease/(Increase) in Non-Current Investments	-	-	-	-	-	-	-	-
<b>Payments</b>								
Capital Assets	(59 862 228)	(13 408 545)	(73 270 773)	-	-	(73 270 773)	(47 719 340)	-34.87%
<b>Net Cash from/(used) Investing Activities</b>	<b>(49 309 228)</b>	<b>(13 408 545)</b>	<b>(62 717 773)</b>	<b>-</b>	<b>-</b>	<b>(62 717 773)</b>	<b>(48 198 011)</b>	<b>-23.15%</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>								
<b>Receipts</b>								
Short Term Loans	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	10 000 000	-	10 000 000	-	-	10 000 000	10 000 000	0.00%
Increase/(Decrease) in Consumer Deposits	(4 451 963)	4 302 220	(149 743)	-	-	(149 743)	(4 726 004)	3056.07%
<b>Payments</b>								
Repayment of Borrowing	(5 351 586)	(383 931)	(5 735 517)	-	-	(5 735 517)	(4 661 597)	-18.72%
<b>Net Cash from/(used) Financing Activities</b>	<b>196 450</b>	<b>3 918 289</b>	<b>4 114 739</b>	<b>-</b>	<b>-</b>	<b>4 114 739</b>	<b>612 399</b>	<b>-85.12%</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>8 182 818</b>	<b>(30 042 133)</b>	<b>(21 859 314)</b>	<b>-</b>	<b>-</b>	<b>(21 859 314)</b>	<b>(15 028 062)</b>	<b>-31.25%</b>
Cash and Cash Equivalents at the year begin:	19 685 937	3 534 358	46 452 616	-	-	46 452 616	46 452 617	0.00%
<b>Cash and Cash Equivalents at the year end:</b>	<b>27 868 755</b>	<b>(26 507 775)</b>	<b>24 593 302</b>	<b>-</b>	<b>-</b>	<b>24 593 302</b>	<b>31 424 555</b>	<b>27.78%</b>

EXPLANATORY NOTES ON ALL MATERIAL VARIANCES LARGER THAN 10% PRESENTED IN NOTE 53

# MATZIKAMA MUNICIPALITY

## ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS

### 1 ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

#### 1.1 BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised-April 2018) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the annual financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

#### 1.2 PRESENTATION CURRENCY

The financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

#### 1.3 GOING CONCERN ASSUMPTION

These financial statements have been prepared on the going concern basis.

#### 1.4 COMPARATIVE INFORMATION

##### 1.4.1 Prior year comparatives

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as practicable and the prior year comparative figures are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as practicable and the prior year comparatives are restated accordingly.

##### 1.4.2 Amended accounting policies

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the annual financial statements.

No significant amendments were made to the accounting policies in the current year.

#### 1.5 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision of assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. The materiality is from management's perspective and does not necessarily correlate with the auditor's materiality. For the purposes of explaining variances on the face of the financial statements the figure of 10% is utilised by management and deemed appropriate.

#### 1.6 PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following

- the approved and final budget amounts for the 2018/19 financial year
- the actual amounts and final budget amounts for the 2018/19 financial year

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements. Variances larger than 10% are seen as material, and explanations provided.

Explanations for differences between the final budget amounts and the actual amounts are included in the Notes to the Financial Statements. Variances larger than 10% are seen as material and explanations are provided.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

# MATZIKAMA MUNICIPALITY

## ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)

### 1.7 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Where a Standard of GRAP has been issued but is not yet effective, the Municipality may resolve to early adopt such a Standard of GRAP if an effective date has been determined by the Minister of Finance.

The following GRAP standards and Interpretations of the Standards of GRAP have been issued but are not yet effective and have not been early adopted by the municipality:

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 20 (Original - June 2011)	<b><u>Related Party Disclosure</u></b> The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. The Municipality resolved to adopt some of the disclosure requirements as per GRAP 20. Additional disclosure will be required with the full implementation of the Standard.	01-Apr-19
GRAP 32 (Revised April 2019)	<b><u>Service Concession Arrangements: Grantor</u></b> The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public entity. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	Unknown
	<b><u>Separate Financial Statements</u></b> The objective of this Standards is to prescribe the accounting and disclosure requirements in controlled entities, joint ventures and associates when an entity prepares separate financial statements. No significant impact expected as no such transactions or events are expected in the foreseeable future.	
GRAP 35 (Revised April 2019)	<b><u>Consolidated Financial Statements</u></b> The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. No significant impact expected as no such transactions or events are expected in the foreseeable future.	Unknown
GRAP 36 (Revised April 2019)	<b><u>Investments in Associates and Joint Ventures</u></b> The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. No significant impact expected as no such transactions or events are expected in the foreseeable future.	Unknown
GRAP 37 (Revised April 2019)	<b><u>Joint Arrangements</u></b> The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements). No significant impact expected as no such transactions or events are expected in the foreseeable future.	Unknown
GRAP 38 (Revised April 2019)	<b><u>Disclosure of Interest in Other Entities</u></b> The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate: (a) the nature of, and risks associated with, its interest in controlled entities unconsolidated controlled entities, joint arrangements and associates, and structure entities that are not consolidated; and (b) the effects of those interests on its financial position, financial performance and cash flows. No significant impact expected as no such transactions or events are expected in the foreseeable future.	Unknown
GRAP 104 (Revised April 2019)	<b><u>Financial Instruments</u></b> The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	Unknown
GRAP 108 (Revised April 2019)	<b><u>Statutory Receivables</u></b> The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.	01-Apr-19
GRAP 109 (Revised April 2019)	<b><u>Accounting by Principles and Agents</u></b> The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	01-Apr-19
GRAP 110 (Revised April 2019)	<b><u>Living and non-living resources</u></b> The objective of this Standard is to prescribe the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	01-Apr-20
IGRAP 17	<b><u>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</u></b> The Interpretation provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation.	01-Apr-19
IGRAP 18	<b><u>Recognition and De-recognition of Land</u></b> The Interpretation provide guidance on when an entity should recognise and derecognise land as an asset in its financial statements. No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation.	01-Apr-19
IGRAP 19	<b><u>Liabilities to Pay Levies</u></b> The Interpretation provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19. No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation.	01-Apr-19

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

**ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)**

**1.8 RESERVES**

**1.8.1 Capital Replacement Reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized. The transfer represents the amount budgeted for capital expenditure that will be funded by own income.

**1.9 LEASES**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

**1.9.1 Municipality as Lessee**

**Finance Leases**

At the commencement of the lease term, the Municipality recognises assets acquired under finance leases as assets and the associated lease obligations as liabilities in the Statement of Financial Position. At the inception of the lease, the assets and liabilities are recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The discount rate to be used in calculating the present value of the minimum lease payment is the interest rate implicit in the lease. If the rate implicit to the lease is not available, the Municipality's incremental borrowing rate is used. Any initial direct costs of the Municipality are added to the amount recognised as an asset. Subsequent to initial recognition, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents, if any, are charged as expenses to the Statement of Financial Performance in the periods in which they are incurred. The leased assets are accounted for in accordance with the stated accounting policies applicable to the assets.

**Operating Leases**

Lease payment under an operating lease is recognised as an expense in the Statement of Financial Performance on a straight-line basis over lease term, unless another systematic basis is more representative of the time pattern of the user's benefit. The difference between the straight-lined expenses and actual payments made will give rise to a liability.

**1.9.2 Municipality as Lessor**

Operating leases are those leases that do not fall within the scope of a finance lease. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset or a liability depending on the actual payments made.. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

**Finance Leases**

The Municipality recognises lease payments receivable under a finance lease as assets (receivable) in the Statement of Financial Position. The asset (receivable) is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The asset (receivable) is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis in the Statement of Financial Performance.

**Operating Leases**

Operating lease revenue is recognised in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. The difference between the straight-lined revenue and actual payments received will give rise to an asset.

**1.10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable. Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this liability:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash is invested as an individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it payable to the funder it is recorded as part of creditors. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

**1.11 UNPAID CONDITIONAL GRANTS AND RECEIPTS**

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public. Unpaid conditional grants are recognised as an asset when the grant is receivable.

**1.12 PROVISIONS**

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation (net of recoveries) under an onerous contract shall be recognised and measured as a provision.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

# MATZIKAMA MUNICIPALITY

## ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)

### 1.13 EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

#### 1.13.1 Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### 1.13.2 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation. Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries. The projected credit unit method is used to value the liability.

#### 1.13.3 Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee. Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

#### 1.13.4 Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

#### 1.13.5 Pension and Retirement Fund Obligations

The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

#### 1.13.6 Other Short-Term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset

### 1.14 BORROWING COSTS

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

### 1.15 PROPERTY, PLANT AND EQUIPMENT

#### 1.15.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

# MATZIKAMA MUNICIPALITY

## ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)

### 1.15.2 Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land (excluding Landfill sites) is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

### 1.15.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives and residual values are assessed at each reporting date whether there is any indication that the Municipality's expectations about the residual value and useful life of an asset have changed since the preceding reporting date. If any such indication exists, the Municipality shall revise the expected useful life and/ or residual value accordingly on the prospective basis. The annual depreciation rates are based on the following estimated average asset lives:

	Years		Years
<b>Infrastructure</b>		<b>Other</b>	
Storm water, Roads and Paving	15-100	Vehicles	6-24
Electricity	5-80	Furniture and Office Equipment	6-22
Water	15-100	Plant and Equipment	6-34
Sewerage	10-100	Computer Equipment	5-17
Solid Waste Disposal	10-100		
Landfill Sites	13-38	<b>Land and Buildings</b>	
		Land	Infinite
<b>Community</b>		Buildings	10-100
Buildings	10-100		
Recreational Facilities	15-100		
Libraries	15-100		
Taxi Ranks and Parking Areas	15-100		
Parks and gardens	49-100		
Cemeteries	10 - 100		

### 1.15.4 Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## 1.16 INTANGIBLE ASSETS

### 1.16.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance. An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licenced, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights or obligations.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

### 1.16.2 Subsequent Measurement - Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

### 1.16.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on the prospective basis. The annual amortisation rates are based on the following estimated average asset lives:

Intangible Assets	Years
Computer Software	15
Rights (Servitudes)	Indefinite

### 1.16.4 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 1.16.5 Application of Deemed Cost

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For intangible assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.



**ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)**

**1.16.6 Derecognition**

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.16.7 Application of Deemed Cost**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For intangible assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

**1.17 INVESTMENT PROPERTY**

**1.17.1 Initial Recognition**

Investment property is recognised as an asset when, and only when it is probable that future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality account for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

**1.17.2 Subsequent Measurement - Fair Value Model**

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

**1.17.3 Derecognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.17.4 Application of Deemed Cost**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

**1.18 IMPAIRMENT OF NON-FINANCIAL ASSETS**

**1.18.1 Cash Generating Assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset. The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount. In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

Internal sources of information

Evidence is available of obsolescence or physical damage of an asset.

Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The redesignation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash generating assets to a cash generating asset shall only occur when there is clear evidence that such redesignation is appropriate. A redesignation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal for an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the nature of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

**ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)**

**1.18.2 Non-Cash Generating Assets**

Non-cash generating assets are assets other than cash-generating assets. The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or with annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount. In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

External sources of information

Cessation, or near cessation, of the demand or need for services provided by the asset.

Significant long term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

Internal sources of information

Evidence is available of physical damage of an asset

Significant long term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the extent to which, an asset is used or expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.

A decision to halt the construction of the asset before it is complete.

Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss and is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

*Depreciation replacement cost approach*

The present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

*Restoration cost approach*

The cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

*Service unit approach*

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

**1.19 INVENTORIES**

**1.19.1 Initial Recognition**

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

**1.19.2 Subsequent Measurement**

Inventories, consisting of consumable stores, water at purification cost and graves are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the first-in-first-out method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

**ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)**

**1.20 FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include non-statutory receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions).

**1.20.1 Initial Recognition**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

**1.20.2 Subsequent Measurement**

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance.

Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

**1.20.3 De-recognition of Financial Instruments**

Financial Assets

The municipality derecognises financial assets using trade date accounting. The municipality derecognises a financial asset only when:

\*the contractual rights to the cash flows from the financial asset expire, are settled or waived;

\*the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

\*the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality: derecognise the asset; and recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair value at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial Liabilities

The Municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

# MATZIKAMA MUNICIPALITY

## ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)

### 1.20.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### 1.21 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions. Examples of Statutory receivables would be rates and fines.

#### 1.21.1 Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

#### 1.21.2 Measurement

The Municipality initially measures the statutory receivables at their transaction amount.

The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

#### 1.21.3 Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or valid or are waived;

(b) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case the Municipality (i) derecognise the receivable; and (ii) recognise separately any rights and obligations created or retained in the transfer.

### 1.22 REVENUE

#### 1.22.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against related revenue as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality.

Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof is virtually certain. Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

# MATZIKAMA MUNICIPALITY

## ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)

### 1.22.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. An adjustment is made at year-end for unused units. The pre-paid electricity sold, but not consumed yet at year-end is disclosed under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- the prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- a rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

### 1.23 RELATED PARTIES

The Municipality regards a related party as a person or entity with the ability to control the Municipality either individually or jointly, or the ability to exercise significant influence over the Municipality, or vice versa.

Management is regarded as a related party and comprises the Executive Mayor, Deputy Mayor, Speaker, Mayoral Committee, Part-time Councillors, the Municipal Manager and the directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

A close family member of management is also considered to be a related party. A person is considered to be a close family member of the family of another person if they are married or live together in a relationship similar to a marriage or are separated by no more than two degrees of natural or legal consanguinity or affinity.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

### 1.24 UNAUTHORISED EXPENDITURE

Unauthorised expenditure means, overspending of a vote or a main division within a vote; and expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

# MATZIKAMA MUNICIPALITY

## ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)

### 1.25 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.26 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.27 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability. The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote.

A contingent asset is disclosed where the inflow of economic benefits or service potential is probable. Management judgement is required when recognising and measuring contingent liabilities.

### 1.28 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

#### 1.28.1 Post-retirement Medical Obligations and Long Service Awards

The cost of post retirement medical obligations, long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 5 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

#### 1.28.2 Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

#### 1.28.3 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding the useful lives and residual values of property, plant and equipment.

- the useful life of movable assets was determined using the age of similar assets available for sale in active markets. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government industry guides were used to assist with deemed cost and useful lives for infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful lives of buildings. The Municipality also consulted with engineers to support the useful lives of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets. The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature currently in other municipalities' asset registers, provided that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

#### 1.28.4 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. Management referred to the following when making assumptions regarding useful lives of intangible assets:

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful lives.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

#### 1.28.5 Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful lives of buildings.
- The Municipality also consulted with engineers and valuers to support the useful lives of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

**ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)**

**1.28.6 Provisions and Contingent Liabilities**

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

**1.28.7 Provision for Landfill Sites**

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

**1.28.8 Provision for Staff Leave**

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

**1.28.9 Revenue Recognition**

Accounting Policy 1.22.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.22.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

**1.28.10 Prepaid Electricity Estimation**

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using 5 days' worth of unused electricity.

**1.29 TAXES - VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

**1.30 CAPITAL COMMITMENTS**

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

**1.31 EVENTS AFTER REPORTING DATE**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

# MATZIKAMA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
<b>2 NET ASSET RESERVES</b>		
Capital Replacement Reserve	3 405 000	4 545 000
Total Net Asset Reserves	<u><u>3 405 000</u></u>	<u><u>4 545 000</u></u>

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilised. The transfer represents the amount budgeted for capital expenditure that will be funded out of own income.

<b>3 LONG-TERM BORROWINGS</b>		
Annuity loans at amortised cost	29 367 266	24 028 864
Current Portion transferred to Current Liabilities	(6 754 834)	(4 962 463)
Total Long-Term Liabilities at amortised cost using the effective interest rate method	<u><u>22 612 432</u></u>	<u><u>19 066 401</u></u>

### 3.1 The obligations under the annuity loans are scheduled as follows:

Payable within one year	9 387 791	6 486 503
Payable within two to five years	20 887 328	16 496 403
Payable after five years	10 028 181	11 701 045
	<u>40 303 300</u>	<u>34 683 951</u>
Less: Future finance obligations	(10 936 008)	(10 655 087)
Present value of annuity obligations	<u><u>29 367 292</u></u>	<u><u>24 028 864</u></u>

Annuity loans at amortised cost is calculated at an interest rate of 5.7% and 11.14%, with the first maturity date of 2 July 2020 and the last maturity date of 30 June 2027.

A new loan amounting to R10 million was raised during March 2019 at an interest rate of 10.08%.

<b>4 NON-CURRENT PROVISIONS</b>		
Landfill Sites	65 592 884	62 314 975
Employee Benefits	34 417 377	32 535 776
Total Non-Current Provisions	<u><u>100 010 261</u></u>	<u><u>94 850 751</u></u>

### 4.1 Landfill Sites

Balance 1 July	62 314 975	57 801 084
Change in provision for rehabilitation cost	638 556	1 874 593
Interest cost	2 639 353	2 639 298
<b>Total provision 30 JUNE 2019</b>	<u><u>65 592 884</u></u>	<u><u>62 314 975</u></u>

Less: Transfer of Current portion to Current Provisions	-	-
<b>Balance 30 JUNE 2019</b>	<u><u>65 592 884</u></u>	<u><u>62 314 975</u></u>

The actual costs are determined by calculating the volumes of excavations, materials required and legal requirements according to the footprint of each individual site. For a new estimate the rates used for each item of work is based on current rates for similar activities. If a previous estimate was done for a specific site then the previous year's figures are escalated using the Consumer Price Index. The individual rates are then again cross-checked to determine if they are still in line with current rates for similar activities and adjusted accordingly.

The estimated rehabilitation cost for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

	Klawer	Vanrhynsdorp	Vredendal	Lutzville	Strandfontein	Doringbaai
Rehabilitation Area(m2)	11 594	25 641	50 387	37 327	7 716	10 673
Preliminary and General	435 603	1 367 617	975 567	802 227	230 126	278 445
Site Clearance ( R )	35 710	78 974	155 192	114 967	23 765	32 873
Storm Water Control ( R )	1 122 245	1 514 257	2 083 799	2 201 466	848 093	845 189
Capping ( R )	851 301	7 836 175	3 699 716	2 740 772	566 555	783 676
Leachate Management	245 414	328 956	458 702	662 656	195 009	316 821
Fencing	856 783	10 333	570 926	10 333	10 333	10 333
Other ( R )	384 296	810 034	524 372	931 117	486 442	353 060
Contingencies ( R )	354 706	1 113 631	794 390	653 242	187 388	226 734
Engineering ( R )	292 632	918 746	655 372	538 925	154 595	187 055
Site Supervision ( R )	366 454	791 754	628 796	579 514	397 069	399 439
<b>Total (Excl VAT)</b>	<u><u>4 945 144</u></u>	<u><u>14 770 477</u></u>	<u><u>10 546 831</u></u>	<u><u>9 235 219</u></u>	<u><u>3 099 375</u></u>	<u><u>3 433 624</u></u>
Rehab cost/m2	427	576	209	247	402	322
Estimated construction period(weeks)	12	16	20	18	12	12



# MATZIKAMA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	Bitterfontein	Kliprand	Rietpoort	Nuwerus	Ebenhaeser	Koekenaap
Rehabilitation Area(m2)	4 658	1 818	796	3 276	3 918	5 044
Preliminary and General	323 328	167 541	107 590	148 929	241 744	489 657
Site Clearance ( R )	14 347	5 599	2 452	10 090	12 067	15 536
Storm Water Control ( R )	683 442	524 132	318 432	608 623	761 881	972 497
Capping ( R )	1 436 226	540 993	58 447	291 526	307 431	1 549 333
Leachate Management	165 139	115 668	88 598	143 204	150 205	223 945
Fencing	10 333	10 333	300 567	10 333	495 157	736 241
Other ( R )	434 041	446 109	504 508	497 474	359 872	359 576
Contingencies ( R )	263 282	136 427	87 609	121 270	196 848	398 721
Engineering ( R )	217 207	112 552	72 277	100 048	162 400	328 945
Site Supervision ( R )	629 537	556 526	337 512	285 644	407 605	504 660
<b>Total (Excl VAT)</b>	<b>4 176 883</b>	<b>2 615 880</b>	<b>1 877 992</b>	<b>2 217 141</b>	<b>3 095 209</b>	<b>5 579 110</b>
Rehab cost/m2	897	1 439	2 359	677	780	1 106
Estimated construction period(weeks)	12	8	9	8	8	10

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

Location	Date	2019 R	2018 R
Klawer	30/03/2024	4 945 144	4 779 174
Vanrhynsdorp	30/06/2024	14 770 477	13 569 430
Vredendal	31/03/2024	10 546 831	10 103 729
Lutzville	21/04/2024	9 235 219	8 454 219
Strandfontein	26/05/2024	3 099 375	3 009 755
Doringbaai	31/03/2024	3 433 624	3 370 346
Bitterfontein	27/05/2024	4 176 883	4 034 480
Kliprand	27/08/2024	2 615 880	2 688 137
Rietpoort	21/04/2024	1 877 992	1 758 857
Nuwerus	19/06/2024	2 217 141	2 111 317
Ebenhaeser	19/05/2024	3 095 209	3 087 083
Koekenaap	07/11/2024	5 579 110	5 348 448
		<b>65 592 885</b>	<b>62 314 975</b>

### 4.2 Employee Benefits

Post Retirement Benefits - note 4.2.1	28 779 355	27 143 107
Long Service Awards - note 4.2.2	5 638 022	5 392 669
<b>Total Non-current Employee Benefit Liabilities</b>	<b>34 417 377</b>	<b>32 535 776</b>
Balance 1 July	34 368 577	32 305 343
Current Service Cost	1 647 867	1 654 387
Interest Cost	3 122 710	2 954 388
Contributions (Benefits paid/ Vesting)	(1 921 571)	(1 590 608)
Actuarial Loss / (Gain)	(601 061)	(954 933)
<b>Total employee benefits 30 June</b>	<b>36 616 522</b>	<b>34 368 577</b>
Less: Transfer of Current Provision - note 6	(2 199 145)	(1 832 801)
<b>Balance 30 June</b>	<b>34 417 377</b>	<b>32 535 776</b>

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1 647 867	1 654 387
Interest Cost - note 34	3 122 710	2 954 388
Actuarial (gains)/losses	(601 061)	(954 933)
<b>Total expenditure recognised in the Statement of Financial Performance</b>	<b>4 169 516</b>	<b>3 653 842</b>

#### 4.2.1 Post Retirement Benefits

Balance 1 July	28 536 628	27 087 934
Current Service Cost	1 117 647	1 174 412
Interest Cost	2 632 354	2 520 238
Contributions (Benefits paid)	(1 416 006)	(1 212 083)
Actuarial Gain	(551 200)	(1 033 873)
<b>Total post retirement benefits 30 June</b>	<b>30 319 423</b>	<b>28 536 628</b>
Less: Transfer of Current Provision - note 6	(1 540 068)	(1 393 521)
<b>Balance 30 June</b>	<b>28 779 355</b>	<b>27 143 107</b>

# MATZIKAMA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2019  
R

2018  
R

The Post Retirement Benefit Plan is a defined benefit plan of which the members are made up as follows:

In-service (employee) members	115	113
In-service (employee) non-members	125	60
Continuation members (e.g. Retirees, widows, orphans)	36	33
<b>Total Members</b>	<b>276</b>	<b>206</b>

2019  
R

2018  
R

2017  
R

2016  
R

2015  
R

The liability in respect of past service has been estimated to be as follows:

In-service members	10 662 586	10 530 407	10 844 723	11 423 790	9 216 529
In-service non-members	1 619 492	2 122 331	1 963 351	1 770 364	2 482 585
Continuation members	18 037 345	15 883 890	14 279 860	13 521 863	13 148 779
<b>Total Liability</b>	<b>30 319 423</b>	<b>28 536 628</b>	<b>27 087 934</b>	<b>26 716 017</b>	<b>24 847 893</b>

History of experience adjustments were calculated as follows:

Liabilities: (Gain)/ Loss	652 000	754 000	833 000	64 000	1 838 000
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The Municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas, LA Health, Samwumed, Keyhealth and Hosmed

### Key actuarial assumptions used:

#### i Rate of interest

Discount rate	9.22%	9.45%
Health Care Cost Inflation Rate	6.73%	7.31%
Net Effective Discount Rate	2.33%	1.99%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

#### ii Mortality rates

Mortality during employment - SA 85-90

Mortality post-retirement - PA90-1

#### iii Normal retirement age

It has been assumed that in-service members will retire at age 65, which then implicitly allows for expected rates of early and ill-health retirement.

#### iv Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

#### v Expected rate of salary increases

2019/2020 - average CPI (Feb 2019 – Jan 2010) + 1.5 per cent

2020/2021 - average CPI (Feb 2020 – Jan 2021) + 1.5 per cent

The amounts recognised in the Statement of Financial Position are as follows:

<b>Present value of fund obligations</b>	<b>30 319 423</b>	<b>28 536 628</b>
<b>Total Liability</b>	<b>30 319 423</b>	<b>28 536 628</b>

The Fund is wholly unfunded. The Municipality recognises the full increase in this defined benefit liability immediately as per GRAP 25, Employee Benefits.

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost - note 27	1 117 647	1 174 412
Interest Cost	2 632 354	2 520 238
Actuarial Gains	(551 200)	(1 033 873)
<b>Total expenditure recognised in the Statement of Financial Performance</b>	<b>3 198 801</b>	<b>2 660 777</b>

# MATZIKAMA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
<b>Reconciliation of present value of fund obligation:</b>		
Present value of fund obligation at the beginning of the year	28 536 628	27 087 934
Total expenses	2 333 995	2 482 567
Current service cost	1 117 647	1 174 412
Interest Cost	2 632 354	2 520 238
Contributions (Benefits Paid)	(1 416 006)	(1 212 083)
Actuarial Gains	(551 200)	(1 033 873)
Present value of fund obligation at the end of the year	30 319 423	28 536 628
Less: Transfer of Current Portion - note 6	(1 540 068)	(1 393 521)
<b>Balance 30 June</b>	<b>28 779 355</b>	<b>27 143 107</b>

Contributions or benefits paid refer to medical scheme contributions made by the Municipality with respect to its subsidy of current continuation members.

### Sensitivity Analysis on the Accrued Liability

		In-service members liability R	Continuation members liability R	Total Liability R	
Central Assumptions		12 282 078	18 037 345	30 319 423	
The effect of movements in the assumptions are as follows:					
	Change	In-service members liability R	Continuation members liability R	Total Liability R	Change %
Health care inflation	+1%	15 118 000	19 776 000	34 894 000	15%
Health care inflation	-1%	10 079 000	16 528 000	26 607 000	(12%)
Discount rate	+1%	10 141 000	16 573 000	26 714 000	(12%)
Discount rate	-1%	15 074 000	19 750 000	34 824 000	15%
Post-retirement mortality	-1 year	12 642 000	18 740 000	31 382 000	4%
Average retirement age	-1 year	13 384 000	18 037 000	31 421 000	4%
Continuation of membership at retirement	-10%	9 897 000	18 037 000	27 934 000	(8%)

### Sensitivity Analysis on the Current-Service and Interest Cost

Assumption	Change	Current Service Cost R	Interest Cost R	Total R	Change %
Central Assumptions		1 117 600	2 632 400	3 750 000	
Health care inflation	+1%	1 408 800	3 040 300	4 449 100	19%
Health care inflation	-1%	894 200	2 300 400	3 194 600	(15%)
Discount rate	+1%	907 900	2 553 200	3 461 100	(8%)
Discount rate	-1%	1 392 500	2 714 500	4 107 000	10%
Post-retirement mortality	-1 year	1 154 700	2 731 900	3 886 600	4%
Average retirement age	-1 year	1 205 800	2 739 600	3 945 400	5%
Continuation of membership at retirement	-10%	979 300	2 479 500	3 458 800	(8%)

# MATZIKAMA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### History of Liabilities

	2019 R	2018 R	2017 R	2016 R	2015 R
Accrued Liability	30 319 423	28 536 628	27 087 934	26 716 017	24 847 893
Fair value of plan assets	-	-	-	-	-
Surplus	30 319 423	28 536 628	27 087 934	26 716 017	24 847 893

### Best estimate of benefit payments expected in the next annual period

	2019 R	2020 R
Present value of fund obligation at the beginning of the year	28 536 628	30 319 423
Total expenses	2 333 995	2 464 207
Current service cost	1 117 647	1 278 256
Interest Cost	2 632 354	2 726 019
Benefits Paid	(1 416 006)	(1 540 068)
Actuarial gain	(551 200)	-
Present value of fund obligation at the end of the year	<b>30 319 423</b>	<b>32 783 630</b>

### 4.2.2 Long Service Awards

Balance 1 July	5 831 949	5 217 409
Current Service Cost	530 220	479 975
Interest Cost	490 356	434 150
Benefits Vesting	(505 565)	(378 525)
Actuarial Loss / (Gain)	(49 861)	78 940
<b>Total long service awards 30 June</b>	<b>6 297 099</b>	<b>5 831 949</b>
Less: Transfer of Current Provision - note 6	(659 077)	(439 280)
<b>Balance 30 June</b>	<b>5 638 022</b>	<b>5 392 669</b>

The Long Service Awards plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Awards.

### Key actuarial assumptions used:

	2019	2018
<b>i Rate of interest</b>		
Discount rate	%	%
General Salary Inflation (long term)	8.30%	8.73%
Net Effective Discount Rate applied to salary-related Long Service Awards	5.64%	6.29%
	2.52%	2.30%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

### ii Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

### ii Mortality rates

Mortality during employment - SA 85-90

### iii Average retirement age

62

The amounts recognised in the Statement of Financial Position are as follows:

	2019 R	2018 R
<b>Present value of fund obligations</b>	<b>6 297 099</b>	<b>5 831 949</b>
<b>Total Liability</b>	<b>6 297 099</b>	<b>5 831 949</b>

The fund is wholly unfunded.

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost - note 27	530 220	479 975
Interest Cost	490 356	434 150
Actuarial (gains)/losses	(49 861)	78 940
<b>Total expenditure recognised in the Statement of Financial Performance</b>	<b>970 715</b>	<b>993 065</b>

# MATZIKAMA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

The liability of periods commencing prior to the comparative year has been estimated as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Liabilities	6 297 099	5 831 949	5 217 409	5 446 409	4 695 433

History of experience adjustments were calculated as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Liabilities: (Gain) / Loss	931 503	195 916	(468 372)	248 501	(72 616)

The first actuarial valuation was performed on 30 June 2013. Thus there are no experience adjustment figures available before 30 June 2013.

	2019 R	2018 R
<b>Reconciliation of present value of fund obligation:</b>		
Present value of fund obligation at the beginning of the year	5 831 949	5 217 409
Total expenses	515 011	535 600
Current service cost	530 220	479 975
Interest Cost	490 356	434 150
Benefits Vesting	(505 565)	(378 525)
Actuarial (gains)/losses	(49 861)	78 940
Present value of fund obligation at the end of the year	6 297 099	5 831 949
Less: Transfer of Current Portion - note 6	(659 077)	(439 280)
<b>Balance 30 June</b>	<b>5 638 022</b>	<b>5 392 669</b>

### Sensitivity Analysis on the Accrued Liability

Assumption	Change	Total Liability R	Change %
Central Assumptions		6 297 099	
Health care inflation	+1%	6 772 000	8%
Health care inflation	-1%	5 871 000	-7%
Discount rate	+1%	5 859 000	-7%
Discount rate	-1%	6 795 000	8%
Post-retirement mortality	-2 years	5 446 000	-14%
Average retirement age	+2 years	7 180 000	14%
Continuation of membership at retirement	-50%	7 305 000	16%

### Sensitivity Analysis on the Current-Service and Interest Cost

Assumption	Change	Current Service Cost R	Interest Cost R	Total R	Change %
Central Assumptions		530 200	490 400	1 020 600	
Health care inflation	+1%	580 000	530 300	1 110 300	9%
Health care inflation	-1%	486 400	454 700	941 100	-8%
Discount rate	+1%	489 900	505 600	995 500	-2%
Discount rate	-1%	576 700	471 200	1 047 900	3%
Post-retirement mortality	-2 years	481 600	440 100	921 700	-10%
Average retirement age	+2 years	581 000	543 600	1 124 600	10%
Continuation of membership at retirement	-50%	677 900	582 800	1 260 700	24%

History of Liabilities	2019 R	2018 R	2017 R	2016 R	2015 R
Accrued Liability	6 297 099	5 831 949	5 217 409	5 446 453	4 695 477
Fair value of plan assets	-	-	-	-	-
Surplus	6 297 099	5 831 949	5 217 409	5 446 453	4 695 477

Best estimate of benefit payments expected in the next annual period	2019 R	2020 R
Present value of fund obligation at the beginning of the year	5 831 949	6 297 099
Total expenses	465 150	463 611
Current service cost	530 220	626 835
Interest Cost	490 356	495 853
Benefits Vesting	(505 565)	(659 077)
Actuarial gain	(49 861)	-
<b>Present value of fund obligation at the end of the year</b>	<b>6 297 099</b>	<b>6 760 710</b>

# MATZIKAMA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
<b>4.2.3 Retirement Funds</b>		
<p>The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined by GRAP 25.</p> <p>As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.</p> <p>Therefore, although the Cape Joint Pension Fund and Cape Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.</p>		
<b>Cape Joint Pension Fund</b>		
<p>The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2014 revealed that the fund is in a sound financial position with a funding level of 101.7% (30 June 2013 - 99.2%).</p>		
	2019 R	Restated 2018 R
<b>Contributions paid recognised in the Statement of Financial Performance</b>	<u><u>33 450</u></u>	<u><u>31 262</u></u>
<b>Cape Retirement Fund</b>		
<p>The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in sound financial position with a funding level of 153.1% (30 June 2015 -153.1%).</p>		
<b>Contributions paid recognised in the Statement of Financial Performance</b>	<u><u>12 786 803</u></u>	<u><u>10 239 803</u></u>
<b>Defined Contribution Funds</b>		
<p>Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.</p>		
<b>Contributions paid recognised in the Statement of Financial Performance</b>	<u><u>993 997</u></u>	<u><u>948 929</u></u>
<b>5 CONSUMER DEPOSITS</b>		
Water and Electricity	-	4 731 743
<b>Total Consumer Deposits</b>	<u><u>-</u></u>	<u><u>4 731 743</u></u>
Consumer deposits for water and electricity were repaid during the 2018/19 financial year.		
<b>6 CURRENT EMPLOYEE BENEFITS</b>		
Current Portion of Post Retirement Benefits - note 4.2.1	1 540 068	1 393 521
Current Portion of Long-Service Provisions - note 4.2.2	659 077	439 280
Staff Leave	7 995 033	6 560 597
Staff Bonuses	3 764 438	2 870 725
Pension	33 979	33 979
<b>Total Current Employee Benefits</b>	<u><u>13 992 595</u></u>	<u><u>11 298 102</u></u>
The movement in current employee benefits are reconciled as follows:		
<b>6.1 Staff Leave</b>		
Balance at beginning of year	6 560 598	5 595 781
Contribution to current portion	2 616 913	1 776 746
Expenditure incurred	(1 182 478)	(811 930)
<b>Balance at end of year</b>	<u><u>7 995 033</u></u>	<u><u>6 560 597</u></u>
Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. The provision will be realised as employees take leave. There is no possibility of reimbursement.		
<b>6.2 Bonuses Accrued</b>		
Balance at beginning of year	2 870 725	2 611 332
Contribution to current portion	6 819 011	5 950 770
Expenditure incurred	(5 925 298)	(5 691 377)
<b>Balance at end of year</b>	<u><u>3 764 438</u></u>	<u><u>2 870 725</u></u>
Bonuses are being paid to all municipal staff. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.		

# MATZIKAMA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
<b>6.3 Pension</b>		
Balance at beginning of year	33 979	33 979
Contribution to current portion	-	-
Expenditure incurred	-	-
<b>Balance at end of year</b>	<b><u>33 979</u></b>	<b><u>33 979</u></b>
Pension payments to staff who did not belong to a pension fund in 1994, according to a formula prescribed by a collective agreement. Payment of the amount will occur when the respective employees retire. There is no possibility of reimbursement.		
<b>7 PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade Payables	34 197 872	28 838 388
Sundry Creditors	2 964 625	2 985 733
Payments received in advance	4 891 456	3 155 794
Retentions	1 495 454	1 834 794
<b>Total Trade Payables</b>	<b><u>43 549 407</u></b>	<b><u>36 814 709</u></b>
Payables are recognised net of any discounts.		
Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary. All payables are unsecured.		
Sundry creditors include sundry deposits for halls, builders and housing deposits.		
The municipality is in a position to settle its financial obligations as and when they become due in the normal course of business		
<b>8 UNSPENT TRANSFERS AND SUBSIDIES</b>		
Unspent Provincial Government Grants	22 745 722	22 699 967
Unpaid National Government Grants	(30 915)	-
<b>Total Unspent Transfers and Subsidies</b>	<b><u>22 714 807</u></b>	<b><u>22 699 967</u></b>
Refer to note 20 for a detail reconciliation of grants.		
Unspent grants can mainly be ascribed to project work in progress at the end of relevant financial years.		
<b>9 VALUE ADDED TAXATION</b>		
<b>9.1 VAT PAYABLE</b>		
VAT Output in suspense	6 686 252	7 271 494
Less: Contribution to Provision for Doubtful Debts	(5 305 267)	(3 502 392)
<b>Total VAT Payable</b>	<b><u>1 380 985</u></b>	<b><u>3 769 103</u></b>
<b>9.2 VAT RECEIVABLE</b>		
VAT Input in suspense	4 495 754	5 483 683
VAT receivable	2 571 740	-
<b>Total VAT Receivable</b>	<b><u>7 067 494</u></b>	<b><u>5 483 683</u></b>
<b>9.3 Net VAT Receivable</b>	<b><u>5 686 509</u></b>	<b><u>1 714 580</u></b>

VAT is payable on the receipt basis. VAT is paid over to SARS when payment is received from debtors.

**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**10 PROPERTY, PLANT AND EQUIPMENT**

**2019**

	Cost				Accumulated Depreciation and Impairment					Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Impairments	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
<b>Land and Buildings</b>	<b>57 012 006</b>	<b>3 541 847</b>	-	<b>60 553 853</b>	<b>7 171 686</b>	<b>419 229</b>	-	-	<b>7 590 914</b>	<b>52 962 939</b>
Land	15 009 582	3 162 500	-	18 172 082	-	-	-	-	-	18 172 082
Buildings	42 002 424	379 347	-	42 381 771	7 171 685	419 229	-	-	7 590 914	34 790 857
<b>Infrastructure</b>	<b>528 073 090</b>	<b>49 075 441</b>	-	<b>577 148 531</b>	<b>114 977 962</b>	<b>11 371 682</b>	-	-	<b>126 349 644</b>	<b>450 798 887</b>
Storm water & Roads	146 987 597	38 868 351	-	185 855 948	27 014 079	3 632 785	-	-	30 646 864	155 209 084
Sewerage	197 832 839	2 672 358	-	200 505 197	27 149 280	3 591 916	-	-	30 741 196	169 764 001
Electricity	51 155 953	-	-	51 155 953	19 474 392	1 366 231	-	-	20 840 623	30 315 330
Water	99 751 973	6 896 175	-	106 648 148	21 603 603	1 567 598	-	-	23 171 201	83 476 947
Solid Waste Disposal	674 281	-	-	674 281	166 747	38 001	-	-	204 748	469 533
Landfill Sites	31 670 446	638 557	-	32 309 003	19 569 860	1 175 151	-	-	20 745 011	11 563 992
<b>Community Assets</b>	<b>101 492 005</b>	<b>1 127 266</b>	-	<b>102 619 271</b>	<b>6 313 248</b>	<b>757 118</b>	-	-	<b>7 070 366</b>	<b>95 548 905</b>
Parks and Gardens	21 439 049	-	-	21 439 049	143 800	28 338	-	-	172 138	21 266 911
Libraries	2 453 906	577 215	-	3 031 121	320 213	70 816	-	-	391 029	2 640 091
Recreational Facilities	47 587 369	550 051	-	48 137 420	2 930 594	404 163	-	-	3 334 757	44 802 663
Ranks and Parkings	5 252 500	-	-	5 252 500	118 636	10 798	-	-	129 434	5 123 066
Cemeteries	685 000	-	-	685 000	2 310	210	-	-	2 520	682 480
Buildings	24 074 181	-	-	24 074 181	2 797 694	242 793	-	-	3 040 487	21 033 694
<b>Other Assets</b>	<b>31 565 549</b>	<b>10 969 714</b>	<b>(236 419)</b>	<b>42 298 844</b>	<b>16 756 295</b>	<b>1 802 066</b>	<b>(89 419)</b>	<b>118 755</b>	<b>18 587 697</b>	<b>23 711 147</b>
Furniture & Office Equipment	4 593 665	672 705	(29 772)	5 236 598	2 639 849	354 470	(25 763)	37 886	3 006 442	2 230 156
Vehicles	22 035 980	9 571 821	(12 436)	31 595 365	12 186 127	894 842	(12 193)	22 509	13 091 285	18 504 080
Plant & Equipment	3 271 223	271 407	(173 932)	3 368 698	1 597 930	297 604	(38 573)	33 411	1 890 372	1 478 326
Computer equipment	1 664 681	453 781	(20 279)	2 098 183	332 389	255 150	(12 890)	24 949	599 598	1 498 585
Work in Progress	1 404 261	18 837 872	-	20 242 133	-	-	-	-	-	20 242 133
<b>Total</b>	<b>719 546 910</b>	<b>83 552 140</b>	<b>(236 419)</b>	<b>802 862 631</b>	<b>145 219 190</b>	<b>14 350 095</b>	<b>(89 419)</b>	<b>118 755</b>	<b>159 598 620</b>	<b>643 264 011</b>

**2018**

	Cost				Accumulated Depreciation and Impairment					Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Impairments	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
<b>Land and Buildings</b>	<b>57 012 006</b>	-	-	<b>57 012 006</b>	<b>6 765 118</b>	<b>406 567</b>	-	-	<b>7 171 686</b>	<b>49 840 320</b>
Land	15 009 582	-	-	15 009 582	-	-	-	-	-	15 009 582
Buildings	42 002 424	-	-	42 002 424	6 765 118	406 567	-	-	7 171 686	34 830 738
<b>Infrastructure</b>	<b>495 068 057</b>	<b>34 500 194</b>	<b>(1 495 162)</b>	<b>528 073 089</b>	<b>104 295 534</b>	<b>11 467 562</b>	<b>(846 313)</b>	<b>61 179</b>	<b>114 977 961</b>	<b>413 095 128</b>
Storm water & Roads	137 282 477	11 200 282	(1 495 162)	146 987 597	24 475 244	3 385 149	(846 313)	-	27 014 079	119 973 518
Sewerage	188 467 628	9 365 211	-	197 832 839	23 729 445	3 419 835	-	-	27 149 280	170 683 559
Electricity	48 277 369	2 878 584	-	51 155 953	18 227 680	1 246 712	-	-	19 474 392	31 681 561
Water	90 570 448	9 181 525	-	99 751 973	20 283 202	1 320 401	-	-	21 603 603	78 148 370
Solid Waste Disposal	674 281	-	-	674 281	128 716	38 031	-	-	166 747	507 534
Landfill Sites	29 795 854	1 874 593	-	31 670 446	17 451 247	2 057 435	-	61 179	19 569 860	12 100 586
<b>Community Assets</b>	<b>99 226 347</b>	<b>2 265 658</b>	-	<b>101 492 005</b>	<b>5 542 486</b>	<b>687 456</b>	-	<b>83 305</b>	<b>6 313 248</b>	<b>95 178 757</b>
Parks and Gardens	21 439 049	-	-	21 439 049	112 955	30 845	-	-	143 800	21 295 249
Libraries	2 453 906	-	-	2 453 906	249 556	70 657	-	-	320 213	2 133 692
Recreational Facilities	45 321 711	2 265 658	-	47 587 369	2 599 665	331 039	-	-	2 930 704	44 656 665
Ranks and Parkings	5 252 500	-	-	5 252 500	107 829	10 805	-	-	118 634	5 133 866
Cemeteries	685 000	-	-	685 000	2 100	210	-	-	2 310	682 690
Buildings	24 074 181	-	-	24 074 181	2 470 382	243 899	-	83 305	2 797 586	21 276 595
<b>Other Assets</b>	<b>29 523 828</b>	<b>2 042 520</b>	<b>(798)</b>	<b>31 565 550</b>	<b>15 488 050</b>	<b>1 268 883</b>	<b>(641)</b>	-	<b>16 756 293</b>	<b>14 809 257</b>
Furniture & Office Equipment	3 998 974	595 489	(798)	4 593 665	2 396 453	244 036	(641)	-	2 639 848	1 953 817
Vehicles	22 013 080	22 900	-	22 035 980	11 488 310	697 816	-	-	12 186 126	9 849 854
Plant & Equipment	2 686 996	584 227	-	3 271 223	1 414 121	183 809	-	-	1 597 930	1 673 293
Computer equipment	824 778	839 904	-	1 664 682	189 166	143 222	-	-	332 388	1 332 294
Work in Progress	-	1 404 261	-	1 404 261	-	-	-	-	-	1 404 261
<b>Total</b>	<b>680 830 238</b>	<b>40 212 632</b>	<b>(1 495 960)</b>	<b>719 546 911</b>	<b>132 091 189</b>	<b>13 830 468</b>	<b>(846 954)</b>	<b>144 484</b>	<b>145 219 187</b>	<b>574 327 723</b>



# MATZIKAMA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
<b>10.1 Property, plant and equipment in process of being constructed or developed</b>		
Buildings	1 489 432	722 637
Storm water & Roads	4 390 469	376 569
Sewerage	285 799	108 985
Electricity	3 280 020	136 993
Water	9 399 883	59 077
Community Buildings	391 465	-
Parks and gardens	9 131	-
Recreational Facilities	995 936	-
	<b>20 242 134</b>	<b>1 404 261</b>
<b>11 INVESTMENT PROPERTY</b>		
Net Carrying amount at 1 July	67 344 800	67 709 582
Fair Value Adjustments	23 838 200	353 218
Disposals - current year	(74 000)	(718 000)
Transfers to Property, plant and equipment	(3 226 500)	
<b>Carrying amount at 30 June</b>	<b>87 882 500</b>	<b>67 344 800</b>
Revenue derived from the rental of investment property	2 263 058	2 121 750
Operating expenditure incurred on properties generating revenue	8 875	9 376
There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.		
A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipality. There are no contractual obligation to purchase, construct or develop investment property or for repairs, maintenance or enhancements.		
The fair model is applied to Investment property. Revaluation of all Investment Property was performed by a Professional Valuer, SWK Valuers. Each property was identified and inspected and fair values adjusted where appropriate. Each of the three main methods (Compare sales method, Capitalization of income approach and Replacement cost minus depreciation valuation) of valuing property was adopted, depending on the specific property.		
<b>12 INTANGIBLE ASSETS</b>		
Computer Software and Rights		
<b>Net Carrying amount at 1 July</b>	<b>610 882</b>	<b>212 200</b>
Cost	997 224	547 669
Accumulated Amortisation	(386 342)	(335 469)
Additions	-	449 555
Amortisation	(119 165)	(50 874)
<b>Net Carrying amount at 30 June</b>	<b>491 717</b>	<b>610 882</b>
Cost	997 224	997 224
Accumulated Amortisation	(505 507)	(386 342)
Computer Software have a life span of 15 years and rights (servitudes) have a indefinite lifespan. The carrying value of Rights amount to R20 579 which equals the Fair Value.		
There are no internally generated intangible assets at reporting date.		
There are no intangible assets whose title is restricted.		
There are no intangible assets pledged as security for liabilities.		
There are no contractual commitments for the acquisition of intangible assets.		
<b>13 LONG TERM RECEIVABLES</b>		
Receivables from non-exchange transactions with repayment arrangements at amortised cost	2 049 060	721 399
Less: Provision for Debt Impairment	(1 024 530)	(360 699)
Less: Current portion transferred to current receivables	(768 397)	(240 466)
<b>Total Long Term Receivables from non-exchange transactions</b>	<b>256 132</b>	<b>120 234</b>
The provision for Debt Impairment could be allocated to the different classes of Long-Term Receivables as follows:		
<b>Reconciliation of Provision for Debt Impairment</b>		
Balance at beginning of year	360 699	325 242
Contribution to provision	663 831	35 457
<b>Balance at end of year</b>	<b>1 024 530</b>	<b>360 699</b>
Receivables subject to repayment arrangements are debtors which are repaying their outstanding consumers accounts over a period of more than 12 months. There are no standard repayment terms, therefore no age analysis is available for long term receivables.		
<b>14 INVENTORY</b>		
Consumable Stores - at cost	7 019	120 875
Water - at purification cost	442 313	470 435
Graves - at net realisable value	17 440	103 509
<b>Total Inventory</b>	<b>466 772</b>	<b>694 819</b>
<b>Inventories recognised as an expense during the year:</b>		
Consumables	5 670 229	5 107 247
Materials and supplies	4 341 935	3 421 950
<b>Total Inventory recognised as an expense</b>	<b>10 012 164</b>	<b>8 529 196</b>
No inventories were pledged as security for liabilities		

# MATZIKAMA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
<b>15 RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
<b>Service Receivables</b>	<b>67 419 975</b>	<b>59 470 266</b>
Electricity	8 310 463	8 237 704
Water	10 434 073	6 999 391
Waste Management	11 430 683	10 599 536
Waste Water Management	10 480 617	9 946 161
Other Arrears	26 764 138	23 687 475
<b>Other Receivables</b>		
Sundry Receivables	1 756 582	-
<b>Total: Receivables from exchange transactions (before provision)</b>	<b>69 176 557</b>	<b>59 470 266</b>
Less: Provision for doubtful debts	(43 555 229)	(40 371 776)
<b>Total: Receivables from exchange transactions (after provision)</b>	<b>25 621 327</b>	<b>19 098 490</b>
Consumer debtors are receivable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. The fair value of receivables approximates their carrying value.		
Other arrears include accounts handed over for collection, pensioners medical aid receivables and other non-service charges.		
<b>Electricity: Ageing</b>		
Current (0 - 30 days)	5 092 137	5 165 597
31 - 60 Days	1 178 835	1 070 793
61 - 90 Days	271 529	438 236
+ 90 Days	1 767 962	1 563 079
<b>Total</b>	<b>8 310 463</b>	<b>8 237 704</b>
<b>Water: Ageing</b>		
Current (0 - 30 days)	1 761 664	822 673
31 - 60 Days	807 726	390 545
61 - 90 Days	691 978	396 584
+ 90 Days	7 172 705	5 389 589
<b>Total</b>	<b>10 434 073</b>	<b>6 999 391</b>
<b>Waste Management: Ageing</b>		
Current (0 - 30 days)	920 164	1 177 363
31 - 60 Days	641 262	662 866
61 - 90 Days	462 566	503 616
+ 90 Days	9 406 691	8 255 691
<b>Total</b>	<b>11 430 683</b>	<b>10 599 536</b>
<b>Waste Water Management: Ageing</b>		
Current (0 - 30 days)	801 448	1 140 405
31 - 60 Days	630 389	655 461
61 - 90 Days	482 479	527 329
+ 90 Days	8 566 302	7 622 967
<b>Total</b>	<b>10 480 617</b>	<b>9 946 161</b>
<b>Other: Ageing</b>		
Current (0 - 30 days)	1 969 343	1 880 976
31 - 60 Days	1 077 810	563 894
61 - 90 Days	771 232	391 076
+ 90 Days	22 945 753	20 851 529
<b>Total</b>	<b>26 764 138</b>	<b>23 687 475</b>
<b>Total: Ageing</b>		
Current (0 - 30 days)	10 544 756	10 187 013
31 - 60 Days	4 336 023	3 343 558
61 - 90 Days	2 679 783	2 256 840
+ 90 Days	49 859 413	43 682 855
<b>Total</b>	<b>67 419 975</b>	<b>59 470 266</b>
<b>Service Receivables Balances past due not impaired: (Ageing)</b>		
31 - 60 Days	3 475 369	2 522 402
61 - 90 Days	2 098 923	1 709 281
+ 90 Days	1 563 283	1 600 757
<b>Total</b>	<b>7 137 575</b>	<b>5 832 439</b>

# MATZIKAMA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### Summary of Debtors by Customer Classification 30 JUNE 2019

	Residential	Industrial/ Commercial	National and Provincial Government
	R	R	R
Current (0 - 30 days)	6 593 434	2 783 725	1 167 597
31 - 60 Days	3 657 586	573 446	104 990
61 - 90 Days	2 509 743	137 928	32 112
+ 90 Days	48 653 643	1 057 339	148 431
Sub-total	61 414 406	4 552 439	1 453 130
Less: Provision for doubtful debts	(42 401 479)	(988 710)	(165 041)
<b>Total debtors by customer classification</b>	<b>19 012 928</b>	<b>3 563 729</b>	<b>1 288 089</b>

### Summary of Debtors by Customer Classification 30 June 2018

	Residential	Industrial/ Commercial	National and Provincial Government
	R	R	R
Current (0 - 30 days)	6 387 207	2 904 868	894 938
31 - 60 Days	2 534 541	748 741	60 276
61 - 90 Days	1 971 514	273 388	11 937
+ 90 Days	42 661 511	888 001	133 344
Sub-total	53 554 773	4 814 998	1 100 495
Less: Provision for doubtful debts	(39 028 078)	(1 098 339)	(204 851)
<b>Total debtors by customer classification</b>	<b>14 526 695</b>	<b>3 716 659</b>	<b>895 644</b>

	2019 R	2018 R
<b>Reconciliation of Provision for Debt Impairment</b>		
Balance at beginning of year	61 183 109	43 706 870
Contribution to provision - Exchange Transactions	6 544 535	6 310 328
Contribution to provision - Non Exchange Transactions	11 748 855	15 469 716
Bad Debts Written Off	(4 500 126)	(4 303 805)
<b>Balance at end of year</b>	<b>74 976 372</b>	<b>61 183 109</b>
Receivables from Exchange Transactions - Note 45	38 249 962	36 869 385
Receivables from Non-Exchange Transactions - Note 45	35 701 880	23 953 025
Long term receivables - Note 45	1 024 530	360 699
	<b>74 976 372</b>	<b>61 183 109</b>

## 16 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

		Restated
Taxes - Rates	13 074 665	13 301 683
Fines	30 656 619	18 696 139
Other Receivables	555 219	1 794 375
	44 286 503	33 792 197
Less: Provision for doubtful debts	(35 701 879)	(23 953 025)
<b>Total Receivables from non-exchange transactions</b>	<b>8 584 624</b>	<b>9 839 172</b>

### Rates: Ageing

Current (0 - 30 days)	2 570 850	2 774 494
31 - 60 Days	837 533	953 054
61 - 90 Days	540 985	568 190
+ 90 Days	9 125 297	9 005 945
<b>Total</b>	<b>13 074 665</b>	<b>13 301 683</b>
<b>Rates Balances past due not impaired: (Ageing)</b>		
31 - 60 Days	792 919	834 715
61 - 90 Days	512 559	503 004
+ 90 Days	380 581	380 957
<b>Total</b>	<b>1 686 059</b>	<b>1 718 676</b>

# MATZIKAMA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### Summary of Debtors by Customer Classification 30 JUNE 2019

	Residential	Industrial/ Commercial	National and Provincial Government
	R	R	R
Current (0 - 30 days)	2 130 346	425 206	15 297
31 - 60 Days	760 123	67 313	10 096
61 - 90 Days	503 642	27 287	10 056
+ 90 Days	7 029 187	138 435	1 957 675
Sub-total	10 423 299	658 241	1 993 125
Less: Provision for doubtful debts	(6 848 866)	(139 450)	(1 949 708)
<b>Total debtors by customer classification</b>	<b>3 574 433</b>	<b>518 791</b>	<b>43 417</b>

### Summary of Debtors by Customer Classification 30 June 2018

	Residential	Industrial/ Commercial	National and Provincial Government
	R	R	R
Current (0 - 30 days)	2 357 605	407 336	9 553
31 - 60 Days	852 341	83 661	17 052
61 - 90 Days	525 895	31 196	11 098
+ 90 Days	5 703 763	140 177	3 162 005
Sub-total	9 439 604	662 370	3 199 708
Less: Provision for doubtful debts	(5 787 075)	(181 069)	(3 157 646)
<b>Total debtors by customer classification</b>	<b>3 652 530</b>	<b>481 302</b>	<b>42 062</b>

## 17 OPERATING LEASE ASSET

	2019 R	2018 R
Balance on 1 July	87 564	81 591
Movement during the year	(1 384)	5 972
Current Portion transferred to Current Assets	(7 643)	(1 383)
<b>Balance on 30 June</b>	<b>78 537</b>	<b>86 180</b>

At the Statement of Financial Position date, where the Municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	103 872	107 585
1 to 5 Years	345 384	353 959
More than 5 Years	8 029	103 325
<b>Total Operating Lease Arrangements</b>	<b>457 285</b>	<b>564 869</b>

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The Municipality is leasing land and buildings to different rate payers for periods ranging from 36 to 120 months with escalations of between 3% and 10% per year.

The leases are in respect of land and buildings being leased out for previous ranging until 2024.

The municipality does not engage in any sub-lease arrangements.

The municipality did not receive any contingent rent during the year.

## 18 CASH AND CASH EQUIVALENTS

Current Accounts	29 411 445	44 571 095
Call Investment deposits	2 007 489	1 875 902
Cash Floats	5 620	5 620
<b>Total Cash and Cash Equivalents - Assets</b>	<b>31 424 554</b>	<b>46 452 617</b>

Cash and cash equivalents comprise cash held and short term deposits.

The Municipality has the following bank accounts:

### Current Accounts

ABSA Bank - Account Number 40-5057-5029	4 114 230	8 372 301
ABSA Bank - Account Number 40-7513-2844	11 151 686	19 075 881
ABSA Bank - Account Number 40-7512-9982	12 634 070	8 272 813
ABSA Bank - Account Number 40-7554-5657	4 738 879	3 596 664
ABSA Bank - Account Number 40-9041-7837	525 567	5 239 358
ABSA Bank - Account Number 40-9308-1405	-	14 079
	<b>33 164 431</b>	<b>44 571 095</b>

### Call Deposits and Investments

Investec	2 007 489	1 875 902
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# MATZIKAMA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

**2019**  
**R**

**2018**  
**R**

### Details of current accounts are as follow:

#### ABSA Bank - Account Number 40-5057-5029

Cash book balance at beginning of year	8 372 301	(8 955 608)
Cash book balance at end of year	<u>303 190</u>	<u>8 372 301</u>
Bank statement balance at beginning of year	8 137 316	6 079 890
Bank statement balance at end of year	<u>4 114 230</u>	<u>8 137 316</u>

#### ABSA Bank - Account Number 40-7513-2844

Cash book balance at beginning of year	19 075 881	3 963 222
Cash book balance at end of year	<u>11 151 686</u>	<u>19 075 881</u>
Bank statement balance at beginning of year	19 075 881	3 963 222
Bank statement balance at end of year	<u>11 151 686</u>	<u>19 075 881</u>

#### ABSA Bank - Account Number 40-7512-9982

Cash book balance at beginning of year	8 272 813	4 060 792
Cash book balance at end of year	<u>12 634 070</u>	<u>8 272 813</u>
Bank statement balance at beginning of year	8 272 813	4 060 792
Bank statement balance at end of year	<u>12 634 070</u>	<u>8 272 813</u>

#### ABSA Bank - Account Number 40-7554-5657

Cash book balance at beginning of year	3 596 664	2 187 669
Cash book balance at end of year	<u>4 738 879</u>	<u>3 596 664</u>
Bank statement balance at beginning of year	3 596 664	2 187 669
Bank statement balance at end of year	<u>4 738 879</u>	<u>3 596 664</u>

#### ABSA Bank - Account Number 40-9041-7837

Cash book balance at beginning of year	5 239 358	1 088 791
Cash book balance at end of year	<u>525 567</u>	<u>5 239 358</u>
Bank statement balance at beginning of year	5 239 358	2 188 405
Bank statement balance at end of year	<u>525 567</u>	<u>5 239 358</u>

#### ABSA Bank - Account Number 40-9308-1405

Cash book balance at beginning of year	-	-
Cash book balance at end of year	<u>-</u>	<u>14 079</u>
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	<u>-</u>	<u>14 079</u>

## 19 PROPERTY RATES

### Rateable Land and Buildings

Business and Commercial Property	1 452 123	921 624
Industrial Property	1 992 364	1 825 948
Public Service Infrastructure Properties	145 683	145 499
Residential Properties	24 436 705	30 179 756
Small Holdings	125 917	118 365
State-owned Properties	5 281 762	5 043 250
Agricultural Properties	<u>9 993 926</u>	<u>7 027 437</u>
<b>Total Assessment Rates</b>	<b>43 428 481</b>	<b>45 261 879</b>
Less: Revenue Foregone	<u>(203 068)</u>	<u>(535 172)</u>
<b>Total Property Rates</b>	<b><u>43 225 413</u></b>	<b><u>44 726 706</u></b>

### Valuations - 1 July 2016

### Rateable Land and Buildings

	Building Clause Valuation	Building Valuation	Total Valuation
Domestic	4 196 500	2 965 957 700	2 970 154 200
Business and Commercial Property	-	803 090 500	803 090 500
Church	-	-	-
Light Industrial	-	173 431 000	173 431 000
Agricultural/Rural	-	4 120 840 600	4 120 840 600
State-owned Properties	-	537 802 000	537 802 000
Other - Pensioners etc.	-	32 480 000	32 480 000
<b>Total Assessment Rates</b>	<b><u>4 196 500</u></b>	<b><u>8 633 601 800</u></b>	<b><u>8 637 798 300</u></b>

# MATZIKAMA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
<b>Rates:</b>		
Residential	0.008961 c/R	0.008510 c/R
Commercial	0.011471 c/R	0.010894 c/R
Agricultural (2010 - less 65% rebate)	0.001792 c/R	0.001702 c/R
DMA Agricultural	0.001792 c/R	0.000598 c/R
<p>Assessment Rates are levied on the value of land and improvements. The last valuation came into effect on 1 July 2016, and the next one will be implemented 1 July 2020. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.</p> <p>Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September.</p> <p>Interest is levied at the prime rate plus 1% on outstanding monthly rates.</p> <p>Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.</p>		
	2019 R	2018 R
<b>20 TRANSFERS</b>		<b>Restated</b>
<b>20.1 Government grants and subsidies</b>		
<b>Unconditional Grants</b>		
Equitable Share	52 340 000	47 561 000
<b>Conditional Grants</b>	<b>49 512 735</b>	<b>47 350 850</b>
Department of Mineral Resources	2 500 000	2 189 846
FMG	1 550 000	1 550 000
MIG	20 951 000	21 614 000
Municipal Water Infrastructure Grant	6 901 295	10 000 000
EPWP	1 630 000	1 406 000
CDW's	30 915	111 000
Library Services	7 698 000	6 246 000
FMSG	330 000	530 000
Public Transport Infrastructure	78 000	65 000
Municipal Capacity Building Grant	119 502	178 205
Municipal Service Delivery and Capacity Building Grant	153 130	680 056
Thusong services centres operational grant	15 046	65 000
Municipal Drought Relief Grant	2 024 916	1 437 897
Municipal Disaster Recovery Grant	4 246 325	549 228
Human Settlements	1 188 750	562 486
Transport, Education and Training SETA	95 855	166 132
<b>Total Government Grants and Subsidies</b>	<b>101 852 735</b>	<b>94 911 850</b>
<b>20.2 Private sector grants</b>		
Private Sector (TRONOX)	1 665 281	-
<b>Total Government and Other Grants and Subsidies</b>	<b>103 518 016</b>	<b>94 911 850</b>
Government Grants and Subsidies - Capital	39 086 472	35 858 386
Government Grants and Subsidies - Operating	64 431 544	59 053 464
	<b>103 518 016</b>	<b>94 911 850</b>
<b>Expenditure per vote as required by Section 123 (c) of the MFMA</b>		
Vote 1 - Executive & Council	26 930	223 070
Vote 2 - Finance	1 880 000	2 080 000
Vote 3 - Corporate	7 913 357	457 523
Vote 4 - Community Development	610 911	9 730 586
Vote 5 - Infrastructure Services	40 746 818	34 859 670
<b>Total Expenditure per vote</b>	<b>51 178 016</b>	<b>47 350 850</b>
Based on the allocations set out in the Division of Revenue Act (DoRA), no significant changes in the level of government funding are expected over the ensuing 3 financial years.		
<b>20.3 Equitable share</b>		
Opening balance		-
Grants received	52 340 000	47 561 000
Operating		(47 561 000)
Closing balance	<b>52 340 000</b>	<b>-</b>
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		

# MATZIKAMA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R Restated
<b>20.4 Department of Mineral Resources</b>		
Opening balance	-	(810 154)
Grants received	2 500 000	3 000 000
Conditions met - Operating	-	-
Conditions met - Capital	(2 500 000)	(2 189 846)
Conditions still to be met/(Grant Expenditure to be recovered)	-	-
<b>Closing balance</b>	<b>-</b>	<b>-</b>
<b>20.5 Local Government Financial Management Grant (FMG)</b>		
Grants received	1 550 000	1 550 000
Conditions met - Operating	(1 550 000)	(1 550 000)
<b>Closing balance</b>	<b>-</b>	<b>-</b>
Municipal Finance Management Act (MFMA), 2003. The FMG also fund the cost of the Financial Management Internship Programme.		
<b>20.6 Municipal Infrastructure Grant (MIG)</b>		
Grants received	20 951 000	21 614 000
Conditions met - Operating	(705 783)	-
Conditions met - Capital	(20 245 217)	(21 614 000)
<b>Closing balance</b>	<b>-</b>	<b>-</b>
The grant was used to upgrade infrastructure in previously disadvantaged areas.		
<b>20.7 Housing Grants</b>		
Opening balance	4 032 267	898 000
Grants received	1 000 000	3 696 753
Conditions met - Operating	(438 750)	(562 486)
Conditions met - Capital	(750 000)	-
<b>Conditions still to be met/(Grant Expenditure to be recovered)</b>	<b>3 843 517</b>	<b>4 032 267</b>
Housing grants was utilised for the development of erven and the erection of top structures.		
<b>20.8 Other Grants</b>		
Opening balance	18 788 428	761 814
Grants received	20 191 855	38 055 132
Conditions met - Operating	(9 727 011)	(7 973 978)
Conditions met - Capital	(13 595 974)	(12 054 540)
<b>Conditions still to be met/(Grant Expenditure to be recovered)</b>	<b>15 657 298</b>	<b>18 788 428</b>
<b>20.9 Grants from Private Sector (TRONOX)</b>		
Grants received	5 000 000	-
Conditions met - Capital	(1 665 281)	-
<b>Conditions still to be met/(Grant Expenditure to be recovered)</b>	<b>3 334 719</b>	<b>-</b>
<b>20.10 Total Grants</b>		
Opening balance	22 699 967	849 660
Grants received	103 532 855	116 882 885
Conditions met - Operating	(64 101 544)	(59 053 465)
Conditions met - Capital	(39 416 472)	(35 858 386)
Repaid to Grantor	-	(120 727)
Conditions still to be met/(Grant expenditure to be recovered)	<b>22 714 807</b>	<b>22 699 967</b>
Disclosed as follows:		
Unspent Conditional Government Grants and Receipts	22 745 722	22 699 967
Unpaid Conditional Government Grants and Receipts	(30 915)	-
	<b>22 714 807</b>	<b>22 699 967</b>

# MATZIKAMA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
<b>21 SERVICE CHARGES</b>		
Electricity	113 445 475	100 072 268
Service Charges	113 975 337	100 195 836
Less: Revenue foregone	(529 862)	(123 568)
Water	22 624 920	11 015 989
Service Charges	23 618 790	11 270 167
Less: Revenue foregone	(993 870)	(254 178)
Refuse removal	15 353 222	14 941 304
Service Charges	20 533 481	19 215 504
Less: Revenue foregone	(5 180 259)	(4 274 200)
Sewerage and Sanitation Charges	15 277 601	14 251 530
Service Charges	20 906 263	19 304 490
Less: Revenue foregone	(5 628 662)	(5 052 960)
<b>Total Service Charges</b>	<b>166 701 218</b>	<b>140 281 091</b>
<b>22 SALES OF GOODS AND RENDERING OF SERVICES</b>		
Advertising	35 495	26 531
Application Fees - Town Planning	41 755	51 335
Building Plan Fees	187 192	202 429
Cemetery	240 632	256 742
Development Charges	968 513	-
Encroachments	21 082	8 402
Housing Redeemed	-	13 960
Insurance Claims	80 438	58 849
Photocopies	22 356	34 046
Roadworthy Certificates	551 757	709 877
Subscription Fees	212	246
Sundry Income - Finance	460 140	946 077
Valuation Certificates	130 810	156 317
Other revenue	6 693	222 741
Telephone	18 438	44 251
<b>Total Other Income</b>	<b>2 765 513</b>	<b>2 731 805</b>
<b>23 CONTRIBUTION PROPERTY, PLANT AND EQUIPMENT</b>		
Housing Development	31 967 743	7 761
<b>Total Contributing Property, Plant and Equipment</b>	<b>31 967 743</b>	<b>7 761</b>
Department of Land Reforms and Department of Housing contributed towards the construction of infrastructure assets		
<b>24 RENTAL FROM FIXED ASSETS</b>		
Investment Property	2 255 175	2 121 750
Other rentals	2 298 295	1 596 652
<b>Total Rental from Fixed Assets</b>	<b>4 553 470</b>	<b>3 718 402</b>
<b>25 INTEREST EARNED</b>		
External Investments	3 311 815	2 497 636
Trade Receivables	4 900 345	2 834 827
<b>Total Interest Earned-External Investments</b>	<b>8 212 160</b>	<b>5 332 463</b>
<b>26 AGENCY SERVICES</b>		
Agency services	3 368 514	3 284 970
<b>Total Agency Services</b>	<b>3 368 514</b>	<b>3 284 970</b>
Agency services consists of motor vehicle registration and licensing agency fees		



# MATZIKAMA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
<b>27 EMPLOYEE RELATED COSTS</b>		
Basic	88 106 181	71 074 346
Bonuses	7 640 955	5 950 770
Contributions for UIF, pensions and medical aids	19 461 365	16 323 851
Housing Subsidy	260 679	200 553
Overtime	7 525 014	5 471 967
Protective Clothing	694 391	638 370
Skills Development Levy and Training	1 150 711	948 781
Travel, motor car, telephone, assistance and other allowances	11 373 455	8 802 789
Provision for Staff Leave	2 616 913	1 776 746
Contribution to provision - Post Retirement Medical - Note 5	1 117 647	1 174 412
Contribution to provision - Long Service Awards - Note 5	530 220	479 975
<b>Total Employee Related Costs</b>	<b>140 477 531</b>	<b>112 842 560</b>
<b>28.1 KEY MANAGEMENT PERSONNEL</b>		
The Municipal Manager is appointed on a 5 year fixed contract. There are no post-employment or termination benefits payable at the end of the contract period. All directors are permanently appointed.		
<b>REMUNERATION OF KEY MANAGEMENT PERSONNEL</b>		
<b>Remuneration of the Municipal Manager: DP Lubbe</b>		
Basic Salary	881 204	892 581
Pension and UIF Contributions	1 785	1 884
Performance Bonus	199 163	93 052
Motor Vehicle Allowance	380 546	356 313
Cell phone Allowance	15 859	12 914
Other Allowances and Benefits	258 642	171 817
<b>Total</b>	<b>1 737 199</b>	<b>1 528 561</b>
<b>Remuneration of the Chief Financial Officer: GRJ Seas</b>		
Basic Salary	725 531	863 227
Pension and UIF Contributions	1 785	1 884
Performance Bonus	163 528	139 447
Motor Vehicle Allowance	312 456	110 016
Cell phone Allowance	13 581	-
Other Allowances and Benefits	401 643	257 288
<b>Total</b>	<b>1 618 524</b>	<b>1 371 862</b>
<b>Remuneration of the Director Technical Services: R Basson</b>		
Basic Salary	610 435	758 210
Pension and UIF Contributions	120 820	150 042
Performance Bonus	163 528	25 354
Motor Vehicle Allowance	299 137	103 133
Cell phone Allowance	14 200	13 600
Other Allowances and Benefits	219 432	159 116
<b>Total</b>	<b>1 427 552</b>	<b>1 209 455</b>
<b>Remuneration of the Director Corporate Services: W Conradie</b>		
Basic Salary	741 021	654 266
Pension and UIF Contributions	147 153	137 723
Medical Aid Contributions	50 342	47 307
Performance Bonus	147 862	116 406
Motor Vehicle Allowance	84 277	78 499
Cell phone Allowance	13 200	12 600
Other Allowances and Benefits	107 295	138 363
<b>Total</b>	<b>1 291 150</b>	<b>1 185 164</b>
<b>Remuneration of the Director Community Development Services: L Phillips</b>		
Basic Salary	835 424	729 091
Pension and UIF Contributions	1 785	1 884
Medical Aid Contributions	30 181	35 910
Performance Bonus	147 862	115 268
Motor Vehicle Allowance	155 257	136 109
Cell phone Allowance	14 200	5 200
Other Allowances and Benefits	193 502	153 164
<b>Total</b>	<b>1 378 211</b>	<b>1 176 626</b>

# MATZIKAMA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
<b>29 REMUNERATION OF COUNCILLORS</b>		
HJ vd Hooven	813 794	4 198
DD Jenner	671 447	424 128
G Stephan	-	790 688
A Sindaymba	676 299	688 143
MM Bains	167 653	-
NS Louw	703 000	677 531
RJ Nutt	95 431	637 736
WD Loff	650 037	637 736
AFK Job	650 037	637 736
P Bok	302 752	292 677
WH Nell	321 004	292 677
AW Links	302 752	292 677
J de Jongh	302 752	292 677
M Carosini	302 752	292 677
NM Ngobo	302 752	292 677
MV Cloete	302 752	292 677
XP Tshetu	369 789	292 677
<b>Total Councillors Remuneration</b>	<b>6 935 002</b>	<b>6 839 312</b>
<b>Remuneration of councillors can be summarised as follows:</b>		
Basic salary	5 824 982	5 816 995
Travel, motor car, telephone, assistance and other allowances	922 245	839 320
Contributions for UIF, pensions and medical aids	187 775	182 997
<b>Total Councillors' Remuneration</b>	<b>6 935 002</b>	<b>6 839 312</b>
Mayor	868 549	790 688
Deputy Mayor	657 643	688 143
Speaker	703 000	677 531
Mayoral Committee	1 938 804	1 913 208
Councillors	2 767 006	2 769 742
<b>Total Councillors' Remuneration</b>	<b>6 935 002</b>	<b>6 839 312</b>
<b>In-kind Benefits</b>		
The Executive Mayor, Executive Deputy Mayor, Speaker, Chief Whip and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.		
<b>30 CONTRACTED SERVICES</b>		
<b>Outsourced Services</b>	3 061 428	1 736 941
Catering Services	178 114	185 199
Medical Services	49 665	25 807
Security Services	1 566 025	918 599
Traffic Fines Management	801 526	93 232
Transport Services	90 853	100 323
Valuer	25 240	62 796
Veterinary Services	350 004	350 984
<b>Consultants and Professional Services</b>	5 052 012	4 690 249
Business and Advisory	3 340 666	3 527 171
Infrastructure and Planning	854 771	408 316
Laboratory	640 373	556 118
Legal Cost	216 202	198 645
<b>Contractors</b>	1 529 327	1 320 738
Employee Wellness	54 713	57 869
Fire Protection	43 697	22 862
Maintenance of Assets	1 355 054	1 068 601
Management of Informal Settlements	21 662	50 727
Stream Cleaning and Ditching	4 750	-
Sewerage Services	-	65 229
Transportation	49 450	55 450
<b>Total Contracted Services</b>	<b>9 642 766</b>	<b>7 747 928</b>
<b>31 DEBT IMPAIRMENT</b>		
Trade Receivables from exchange transactions	8 177 590	6 310 328
Trade Receivables from non-exchange transactions	11 918 675	11 405 408
VAT Portion of Provision	(1 802 875)	(40 495)
<b>Total debt impairment</b>	<b>18 293 389</b>	<b>17 675 241</b>

# MATZIKAMA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2019 R	2018 R
<b>32</b>	<b>DEPRECIATION AND AMORTISATION</b>		
	Property Plant and Equipment	14 323 987	13 830 468
	Intangible Assets	119 165	50 874
	<b>Total Depreciation and Amortisation</b>	<b>14 443 152</b>	<b>13 881 342</b>
<b>33</b>	<b>FINANCE COSTS</b>		
	Long-term Borrowings	2 469 199	2 648 713
	Non-current Provisions	2 639 353	2 639 298
	Non-current Employee Benefits	3 122 710	2 954 388
	<b>Total Finance Costs</b>	<b>8 231 262</b>	<b>8 242 399</b>
<b>34</b>	<b>BULK PURCHASES</b>		
	Electricity	88 879 642	83 077 080
	Water	5 265 029	4 534 918
	<b>Total Bulk Purchases</b>	<b>94 144 671</b>	<b>87 611 998</b>
<b>35</b>	<b>REPAIRS AND MAINTENANCE</b>		
	Expenditure incurred to repair and maintain Property, Plant and Equipment. The expense forms part of the inventory consumed, operational costs and contracted services line items.		
	<b>Community Assets</b>	<b>930 421</b>	<b>851 555</b>
	Contracted Services	95 879	59 374
	Other materials	827 681	768 725
	Other Expenditure	6 860	23 456
	<b>Infrastructure</b>	<b>3 168 517</b>	<b>3 180 691</b>
	Contracted Services	25 007	76 679
	Other materials	2 512 067	2 016 096
	Other Expenditure	631 444	1 087 917
	<b>Land and buildings</b>	<b>619 084</b>	<b>516 226</b>
	Contracted Services	10 941	14 605
	Other materials	608 144	501 621
	Other Expenditure	-	-
	<b>Other Assets</b>	<b>5 015 265</b>	<b>4 280 811</b>
	Contracted Services	1 212 338	915 598
	Other materials	3 441 179	3 196 251
	Other Expenditure	361 748	168 963
	Total Contracted Services	1 344 165	1 066 256
	Total Other Materials	7 389 070	6 482 692
	Total Other Expenditure	1 000 052	1 280 336
	<b>Total Repairs and Maintenance</b>	<b>9 733 287</b>	<b>8 829 284</b>
<b>36</b>	<b>TRANSFERS AND SUBSIDIES</b>		
	<b>Operational: Monetary Allocations</b>		
	Life Guards	196 000	240 433
	Development Programmes	50 401	-
	Poverty Alleviation	7 022	257 624
	Tourism	980 760	931 396
	Sport development	15 036	7 000
	<b>Total Grants and Subsidies</b>	<b>1 249 219</b>	<b>1 436 453</b>
<b>37</b>	<b>FINES, PENALTIES AND FORFEITS</b>		
	Overdue Books	27 342	26 523
	Traffic Fines	16 419 440	10 808 827
	<b>Total Fines, penalties and forfeits</b>	<b>16 446 782</b>	<b>10 835 350</b>

# MATZIKAMA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R <b>Restated</b>
<b>38 OPERATIONAL COST</b>		
Advertisements	367 086	302 950
Audit Fees	2 016 434	1 998 926
Bank Charges	697 053	439 198
Commission Paid	1 910 982	1 717 424
Computer Service	1 469 772	2 670 069
Contributions	18 350	117 941
Development Programmes	-	15 617
Entertainment Costs	-	38 691
Fuel	4 495 535	3 952 238
Hire Charges	1 006 940	1 727 997
Insurance	802 814	1 270 600
Licenses	749 648	206 630
Municipal Services	10 551 546	1 976 182
Other materials	-	3 449
Photocopies	85 089	67 831
Postage	92 560	50 399
Printing and Stationary	1 766 120	1 219 541
Prodiba payments	281 003	261 360
Public Entertainment	27 559	29 097
External networks-IT services	582 018	761 578
Subscription Fees	1 254 069	1 203 648
System Access and Information Fees	61 973	72 476
Telephone	938 136	901 796
Training Costs	436 301	318 959
Travel and Subsistence	2 195 100	1 786 540
Vehicle Tracking	134 343	93 222
Other	1 182 827	615 475
Workmen's Compensation Fund	687 688	600 785
<b>Total Operational Costs</b>	<b><u>33 810 945</u></b>	<b><u>24 420 618</u></b>

Other costs consists of administration, cleaning, disinfection costs, lost books, management of informal areas, marketing region, meter costs, projects, protection equipment, recruitment costs, staff wellness, street lights, trade union contributions and ward committee functions.

# MATZIKAMA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R Restated
<b>39.1 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS</b>		
<b>Surplus for the year</b>	<b>68 791 178</b>	<b>18 906 124</b>
<b>Adjustments for:</b>	<b>(33 887 453)</b>	<b>19 070 115</b>
Interest received	(8 212 160)	(5 332 463)
Contributed property, plant and equipment	(31 967 743)	(7 761)
Loss on disposal PPE	147 001	649 006
Gain on disposal of investment property	(109 774)	(486 184)
Impairment loss	118 756	144 484
Actuarial gains	(601 061)	(1 033 873)
Actuarial loss	-	78 940
Depreciation	14 469 259	13 881 342
Fair value adjustments	(23 838 200)	(353 218)
Foreign exchange loss	21 203	-
Interest paid	8 231 262	8 242 399
Contributions to non-current provisions	5 159 510	1 864 287
Contributions to current provisions	2 694 494	1 423 156
<b>Operating Surplus before changes in working capital</b>	<b>34 903 725</b>	<b>37 976 239</b>
<b>Changes in working capital</b>	<b>(2 346 176)</b>	<b>43 526 078</b>
Increase/(Decrease) in Payables from Exchange Transactions	6 737 029	29 451 826
Increase/(Decrease) in Taxes	(3 971 929)	(1 276 601)
Increase in unspent conditional grants	14 840	21 971 036
(Increase)/Decrease in Inventory	228 046	(204 278)
(Increase)/Decrease in exchange receivables	(6 608 710)	(4 728 844)
(Increase)/Decrease in non-exchange receivables	1 254 548	(1 687 061)
<b>Cash generated by operations</b>	<b>32 557 549</b>	<b>81 502 317</b>
<b>39.2 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Cash Floats - Note 18	5 620	5 620
Bank - Note 18	29 411 445	44 571 095
Call Investment Deposits	2 007 489	1 875 902
<b>Total cash and cash equivalents</b>	<b>31 424 554</b>	<b>46 452 617</b>
<b>39.3 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>		
Cash and Cash Equivalents - Note 18	31 424 554	46 452 617
Unspent Committed Conditional Grants - Note 8	(22 745 722)	(22 699 967)
Capital Replacement Reserve - Note 2	(3 405 931)	(4 545 000)
Unpaid Conditional Grants - Note 8	30 915	-
Tax receivable - Note 9	5 686 509	1 714 580
<b>Net cash resources available for internal distribution/(resources utilised for internal distribution)</b>	<b>10 990 325</b>	<b>20 922 230</b>

# MATZIKAMA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 40 CORRECTION OF ERROR IN TERMS OF GRAP 3

#### Property, Plant and Equipment

Correction of Property, Plant and Equipment. After physical verification of fixed assets were performed corrections have been identified. This is now corrected with the following entries, Dt Cost Opening balance R 344 924.54. (Ct) Accumulated Surplus Prior Year 2016/2017 R 344 924.54, Dt Accumulated Surplus Prior Year 2016/2017 R 35 892.55. (Ct) Accumulated Depreciation, R35 892.55. Dt Accumulated surplus 2017/2018 R11 267.71, (Ct) Accumulated Depreciation, R11 267.71

#### Investment Property

Correction of Investment property after verification of properties, this is now corrected with the following entries. Dt Investment Properties, R18 000, Ct) Accumulated Surplus 2016/2017 R18 000

#### Gains on Disposal of Investment property

Correction income received for sale of investment property incorrectly recognised as part of sale in 2016/2017, this is now corrected with the following entries. Dt Accumulated surplus 2016/2017, R2 631.58 (Ct) Deposits Investment property sales, R2631.58

### 40.1 Property, Plant and Equipment: Other Assets

#### (a) Office Equipment

##### Cost

Balance previously reported  
Office Equipment incorrectly recognised

##### Accumulated Depreciation

Balance previously reported  
Office Equipment incorrectly recognised

##### Restated Balance

Restated  
2018  
R

Restated  
2017  
R

4 593 665

3 998 974

4 556 409  
37 256

3 961 718  
37 256

2 639 849

2 396 453

2 637 353  
2 496

2 395 068  
1 385

1 953 816

1 602 520

#### (b) Motor Vehicles

##### Cost

Balance previously reported  
Motor Vehicles incorrectly recognised

##### Accumulated Depreciation

Balance previously reported  
Motor Vehicles incorrectly recognised

##### Restated Balance

22 035 980

22 013 080

22 026 107  
9 873

22 003 207  
9 873

12 186 127

11 488 310

12 186 127  
-

11 488 310  
-

9 849 854

10 524 769

#### (c) Plant and Equipment

##### Cost

Balance previously reported  
Plant and Equipment incorrectly recognised

##### Accumulated Depreciation

Balance previously reported  
Plant and Equipment incorrectly recognised

##### Restated Balance

3 271 222

2 686 996

2 987 194  
284 028

2 402 968  
284 028

1 597 930

1 414 121

1 555 067  
42 863

1 380 783  
33 338

1 673 293

1 272 875

# MATZIKAMA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	Restated 2018 R	Restated 2017 R
<b>(d) Computer Equipment</b>		
<b>Cost</b>	<b>1 664 681</b>	<b>824 778</b>
Balance previously reported	1 650 914	811 010
Computer Equipment incorrectly recognised	13 768	13 768
<b>Accumulated Depreciation</b>	<b>332 389</b>	<b>189 166</b>
Balance previously reported	330 587	187 997
Computer Equipment incorrectly recognised	1 802	1 170
<b>Restated Balance</b>	<b>1 332 293</b>	<b>635 611</b>
<b>40.2 Investment Property</b>		
Net Carrying Value 1 July	67 326 800	67 691 582
Property incorrectly recognised	18 000	18 000
<b>Restated Balance</b>	<b>67 344 800</b>	<b>67 709 582</b>
<b>40.3 Payables from Exchange Transactions</b>		
Balance previously reported	2 983 102	3 634 929
Income incorrectly recognised	2 632	2 632
<b>Restated Balance</b>	<b>2 985 733</b>	<b>3 637 561</b>
<b>40.4 Accumulated Surplus</b>		
Balance previously reported	<b>521 249 075</b>	<b>502 484 684</b>
Office Equipment incorrectly recognised	34 761	35 871
Plant and Equipment incorrectly recognised	241 165	250 691
Motor Vehicles incorrectly recognised	9 873	9 873
Computer Equipment incorrectly recognised	11 966	12 598
Investment property incorrectly recognised	18 000	18 000
Gains on Sale of Investment property incorrectly recognised	(2 632)	(2 632)
<b>Restated Balance</b>	<b>521 562 208</b>	<b>502 809 084</b>
<b>41 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term Liabilities - note 3	22 612 432	19 066 401
Used to finance property, plant and equipment - at cost	(22 612 432)	(19 066 401)
	<b>-</b>	<b>-</b>
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		

# MATZIKAMA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
<b>42 MATERIAL LOSSES</b>		
Water distribution losses		
There were no material water distribution losses during the current and previous financial year		
Electricity distribution losses		
- Units purchased (Kwh)	80 119 105	80 184 787
- Units lost during distribution (Kwh)	10 612 982	10 476 360
- Percentage lost during distribution	13.25%	13.10%
Electricity losses decreased during 2018 financial year due to auditing and installation of new bulk meters		
<b>42.1 Non-Material Losses</b>		
Water distribution losses		
- Kilo litres purchased	3 156 476	3 490 767
- Kilo litres lost during distribution	145 378	-
- Percentage lost during distribution	4.61%	0.00%
<b>43 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>43.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA Contributions</b>		
Opening balance	-	-
Council subscriptions	1 197 549	1 175 749
Amount paid - current year	(1 197 549)	(1 175 749)
<b>Balance unpaid (included in creditors)</b>	<u>-</u>	<u>-</u>
<b>43.2 Audit fees - [MFMA 125 (1)(b)]</b>		
Opening balance	-	-
Current year audit fee	2 016 434	1 998 926
Amount paid - current year	(2 016 434)	(1 998 926)
<b>Balance unpaid (included in creditors)</b>	<u>-</u>	<u>-</u>
<b>43.3 VAT - [MFMA 125 (1)(b)]</b>		
Opening balance	1 714 580	437 979
Amounts received - current year	(1 558 029)	(1 692 989)
Amounts paid - current year	1 547 250	1 290 028
Amounts (received)/paid - previous years	1 697 027	326 391
Not declared	376 053	(1 403 383)
Amounts claimed - current year	2 099 858	2 756 555
<b>Closing balance - (Payable)/Receivable</b>	<u><b>5 876 739</b></u>	<u><b>1 714 580</b></u>
VAT in suspense due to cash basis of accounting		
Input VAT	4 495 754	5 483 683
Output VAT	1 380 985	(3 769 103)
<b>Claimable/(Payable)</b>	<u><b>5 876 739</b></u>	<u><b>1 714 580</b></u>
VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.		
<b>43.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]</b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	21 489 856	16 691 987
Amount paid - current year	(21 489 856)	(16 691 987)
<b>Balance unpaid (included in creditors)</b>	<u>-</u>	<u>-</u>
<b>43.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	18 890 798	15 896 588
Amount paid - current year	(18 890 798)	(15 896 588)
<b>Balance unpaid (included in creditors)</b>	<u>-</u>	<u>-</u>
<b>43.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]</b>		
The following Councillors had arrear accounts for more than 90 days during the financial year.		
Councillor A Links	-	694
Councillor RJ Nutt	-	1 015
Councillor AFK Job	11 571	-
	<u><b>11 571</b></u>	<u><b>1 708</b></u>



# MATZIKAMA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 43.7 Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation (36)(1)(a) & (b)

	Two Suppliers R	Single Supplier R	Sec 5.27 R	Emergency R	Total R
July 18	-	-	200 735	5 290 669	5 491 404
August 18	-	-	1 347 884	613 573	1 961 456
September 18	-	-	536 418	1 757 748	2 294 166
October 18	-	-	921 316	242 689	1 164 005
November 18	-	-	492 296	379 328	871 624
December 18	-	-	63 381	7 975 844	8 039 226
January 19	-	-	459 606	47 826	507 432
February 19	-	-	38 260	20 319 033	20 357 293
March 19	-	-	43 448	-	43 448
April 19	-	-	150 480	803 862	954 342
May 19	-	-	94 625	178 041	272 666
June 19	-	-	2 811 976	1 331 612	4 143 588
	-	-	<b>7 160 425</b>	<b>38 940 226</b>	<b>46 100 651</b>

### 43.8 Regulation 45 : Particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months

Entity	Employee Name	Position in service of the state	Relationship	2019 R	2018 R
Meyer Kabinette	H Meyer	Manager Supply Chain	Husband	78 390	209 610
F1 Traders	J Ovis	Manager Community Services	Father	18 244	15 688
Sunfox	M Michinon	Cashier	Daughter	13 129	15 170
PR Civils	M Koopman	General Worker	Husband	7 516 451	-
				<b>7 626 214</b>	<b>240 467</b>

### 44 CAPITAL COMMITMENTS

#### Commitments in respect of capital expenditure:

Approved and contracted for infrastructure	20 566 545	14 707 145
This expenditure will be financed from government grants and contributions from private sector	20 566 545	14 707 145

### 45 FINANCIAL RISK MANAGEMENT

The activities of the Municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

#### 45.1 Foreign Exchange Currency Risk

The municipality procured goods and services denominated in a foreign currency but the Rand value was determined at the time of procurement and the risk was low at the time of payment. It was for the payment of Microsoft licences and the supplier was the only provider of the product.

#### 45.2 Price risk

The Municipality is not exposed to price risk.

#### 45.3 Interest Rate Risk

Potential concentrations of interest rate risk on financial assets consist mainly of fixed deposit investments and bank and cash balances.

The Municipality is not exposed to a high level of interest rate risks on its financial liabilities. All of the Municipality's interest bearing external loan liabilities, as detailed in Appendix A, are fixed interest rate loans.

The Municipality did not hedge against any interest rate risks during the current year.

The impact on the entity's non current borrowings for the year due to changes in interest rates were as follows:

0.5% (2018/19: 0.5%) Increase in interest rates	(95 332)	(25 230)
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#### 45.4 Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

# MATZIKAMA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

45.4 Credit Risk (Continue)	2019 R	2018 R
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All rates and services are payable within 30 days from invoice date. Refer to note 16 and 17 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

Due to the short term nature of receivables the carrying value disclosed in note 16 and 17 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for debt impairment could be allocated between the different classes of debtors as follows:

	2019 %	2019 R	2018 %	2018 R Restated
<u>Non-Exchange Receivables</u>				
Rates and fines	51.49%	46 229 277	37.03%	33 792 197
	51.49%	46 229 277	37.59%	24 313 725
<u>Exchange Receivables</u>				
Service Charges	48.51%	43 555 229	62.41%	40 371 776
	48.51%	43 555 229	62.41%	40 371 776
<b>Total Provision for Debt Impairment</b>	<b>100.00%</b>	<b>89 784 506</b>	<b>100.00%</b>	<b>64 685 501</b>

The provision for debt impairment could be allocated between the different categories of debtors as follows:

Description	2019 %	2019 R	2018 %	2018 R
Water	9.14%	7 339 078	8.24%	5 330 677
Electricity	2.34%	1 874 694	3.27%	2 113 886
Rates	11.13%	8 938 024	14.06%	9 091 594
Rental	0.00%	-	0.00%	-
Refuse	11.10%	8 915 009	12.60%	8 148 248
Sewerage	9.93%	7 968 497	11.52%	7 452 092
Other exchange	20.82%	16 713 257	26.35%	17 042 648
Loans	1.28%	1 024 530	0.56%	360 699
Fines	33.34%	26 763 856	22.92%	14 827 236
Indigent debtors	0.93%	744 695	0.49%	318 420
	<b>100.00%</b>	<b>80 281 639</b>	<b>100.00%</b>	<b>64 685 501</b>

Bad debts written off per financial asset class:

Financial Instruments at amortised cost	100.00%	4 500 126	100.00%	4 303 805
	100.00%	4 500 126	100.00%	4 303 805

Balances past due not impaired:

<u>Non-Exchange Receivables</u>				
Rates - Note 17	19.11%	1 686 059	22.76%	1 718 676
	19.11%	1 686 059	22.76%	1 718 676
<u>Exchange Receivables</u>				
Service Charges - Note 16	80.89%	7 137 575	77.24%	5 832 439
	80.89%	7 137 575	77.24%	5 832 439
<b>Total past due not impaired</b>	<b>100.00%</b>	<b>8 823 634</b>	<b>100.00%</b>	<b>7 551 115</b>

As at 30 JUNE 2019, trade receivables of R 25 621 327 (2018: R19 098 490) were fully performing.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

Long-term Receivables, Receivables from Exchange Transactions and Receivables from Non-Exchange Transactions are individually evaluated annually at year end for impairment.

Financial assets exposed to credit risk at year end are as follows:	2019 R	2018 R Restated
Long-term receivables	1 024 529	360 700
Receivables from exchange transactions	25 621 327	21 818 254
Receivables from non-exchange transactions	10 527 398	10 858 447
Cash and Cash Equivalents	31 366 501	46 452 617
	<b>68 539 755</b>	<b>79 490 018</b>

# MATZIKAMA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 45.5 Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
<b>2019</b>				
Long Term liabilities	9 387 791	20 887 328	10 028 181	-
Payables from Exchange Transactions	43 483 914	-	-	-
	<b>52 871 705</b>	<b>20 887 328</b>	<b>10 028 181</b>	<b>-</b>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
<b>2018</b>				
Long Term liabilities	6 486 503	16 496 403	11 701 044	-
Payables from Exchange Transactions	30 960 466	-	-	-
	<b>37 446 969</b>	<b>16 496 403</b>	<b>11 701 044</b>	<b>-</b>

### 46 FINANCIAL INSTRUMENTS

In accordance with GRAP 104 the financial instruments of the Municipality are classified as follows:

#### Financial instruments at amortised cost

#### 46.1 Financial Assets

	2019 R	2018 R Restated
Long-Term Receivables	1 024 529	120 333
Receivables from exchange transactions	25 621 327	19 098 490
Receivables from non-exchange transactions	10 527 398	10 858 447
Cash and Cash Equivalents	31 366 501	46 452 617
<b>Total carrying amount of financial assets</b>	<b>68 539 755</b>	<b>76 529 887</b>

#### Financial Liabilities

Long-term Liabilities	22 612 432	19 066 401
Payables from exchange transactions	43 483 914	36 812 078
Current Portion of Long-term Liabilities	6 754 834	4 962 463
<b>Total carrying amount of financial liabilities</b>	<b>72 851 180</b>	<b>60 840 942</b>

### 47 STATUTORY RECEIVABLES

	2019 R	2018 R
In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:		
Taxes: VAT Receivable	3 749 318	1 714 580
Receivables from Non-Exchange Transactions	43 731 284	31 997 822
Rates	13 074 665	13 301 683
Fines	30 656 619	18 696 139
<b>Total statutory receivables</b>	<b>47 480 602</b>	<b>33 712 402</b>

### 48 EVENTS AFTER THE REPORTING DATE

On the 30 July 2019 Councillor DD Jenner was elected as the new executive mayor.

### 49 IN-KIND DONATIONS AND ASSISTANCE

The Municipality did not receive any in-kind donations or assistance during the year under review.

### 50 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

### 51 CONTINGENT LIABILITIES

The municipality is not currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions.

# MATZIKAMA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 52 RELATED PARTIES

#### 52.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

#### 52.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 29 to the Annual Financial Statements.

#### 52.3 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

Supplier	Employee	Relationship	Department	Position in service of the state	2019 R	2018 R
Meyer Kabinette	H Meyer	Husband	Finance	Accountant	78 390	209 610
F1 Traders	J Ovis	Father	Community Services	Manager	18 244	15 688
Sunfox	M Michinon	Daughter	Finance	Cashier	13 129	15 170
PR Civils	M Michinon	Daughter	Finance	Cashier	7 516 451	-
					<b>7 626 214</b>	<b>240 467</b>

### 53 EXPLANATORY NOTES TO THE STATEMENT OF COMPARISON OF BUDGET AND ACTUAL

#### 53.1 COMPARISON OF ACTUAL FIGURES vs. THE FINAL BUDGET

##### 53.1.1 STATEMENT OF FINANCIAL POSITION

##### Current Assets:

Cash	Drought relief Grants received from national and provincial government could not be spent by 30 JUNE 2019 because the specialised equipment is only available from overseas. Items procured were in transit at year end. Payments will be made in the new financial year.
Other Receivables	GRAP requires that provincial and municipal fines issued be recognised at their gross value.
Inventory	The decrease can be ascribed to lower levels of purified water and an increased consumption of graves and consumable stores.
Current portion of long term receivables.	The increase relates directly to the increase in arrangements to repay arrear consumer accounts.

##### Non current assets:

Long term receivables	The increase relates directly to the increase in arrangements to repay arrear consumer accounts.
Investment property	The increase is driven by the increase in the fair value of investment property based on values determined at year-end.
Other non-current assets	The increase is due to reclassification of the non-current and current portions of the operating lease asset

##### Current liabilities:

Consumer deposits	The deposits held were credited to consumer accounts during the year under review.
Borrowings	The increase in borrowings relates to new loan amounting to R10 million taken up during the year under review.
Trade and other Payables	The increase is informed by normal payment terms and unspent conditional grants balances at year end.
Provisions	Increase in Bonus provision due to new appointments made during the year.

##### Community Wealth

Reserves	Capital expenditure funded out of own income was lower than expected due to the negative impact of the drought on revenue generation.
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##### 53.1.2 STATEMENT OF FINANCIAL PERFORMANCE

##### Revenue

Interest earned on outstanding debtors	The increase is informed by the increase in exchange receivables.
Licences and Permits	The income generated was less than projected by approximately R116 000. Accepted as reasonable.
Other Revenue	The fair value adjustments to investment property was more than projected.
Gains on Disposal of PPE	The sale of the land for the private hospital was not finalised at year-end as per expectation. The sale of municipal houses that were put out on tender was not finalised at year-end as expected.

##### Expenditure

Depreciation	The variance is accepted as reasonable as informed by the disposals and restatements of property, plant and equipment.
Contracted services	The underperformance can be ascribed to capital projects in progress at year end and cost containment measures that were implemented during the year.
Other expenditure	The decrease can be ascribed to cost containment measures implemented.
Transfers and subsidies	The decrease can be ascribed to cost containment measures implemented.
Loss on disposal of PPE	No loss on disposal of PPE was projected.

# MATZIKAMA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 53.1.3 CASH FLOW STATEMENT

#### Receipts:

Other revenue	Other revenue decreased due to the negative impact of the drought on the economy.
Proceeds on sale of PPE	The sale of the land for the private hospital was not finalised at year-end as per expectation. The sale of municipal houses that were put out on tender was not finalised at year-end as expected.

Increase/(Decrease) in Consumer Deposits	The deposits held were credited to consumer accounts during the year under review.
Decrease in Non-current debtors	Improved performance of arrangements in place for arrear accounts.

#### Payments:

Finance costs	Variance is due to Grap 2 disclosure requirements
Transfers and grants	Decrease due to cost containment measures implemented
Capital assets	Drought relief Grants received from national and provincial government could not be spent by 30 JUNE 2019 because the specialised equipment is only available from overseas. Items procured were in transit at year end. Payments will be made in the new financial year.
Repayment of Borrowings	The increase in borrowings relates to new loan amounting to R10 million taken up during the year under review.

### 53.3 COMPARISON OF ADJUSTMENTS BUDGET vs. ORIGINAL BUDGET

The reasons for the variances between the approved and final budgets are mainly due to the negative effect of the severe drought, the decrease in the capital expenditure, and the reprioritising of capital projects, with the corresponding changes to funding sources.

### 54 FINANCIAL SUSTAINABILITY

Management is of the opinion that the Municipality will continue to operate as a going concern and perform its functions as set out in the Constitution.

#### 54.1 Financial Indicators

The current ratio improved to 0.93:1 from 0.84:1 in the prior year.

The municipality has budgeted for positive cash flows during 2018/2019 and 2019/2020 amounting to R8 183 000 and R14 390 000 respectively.

#### 54.2 Other Indicators

There was no contingent liabilities as at 30 JUNE 2019 as disclosed in note 51.

**APPENDIX A - Unaudited  
MATZIKAMA MUNICIPALITY  
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2019**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2018	Correction of Error	Received during the period	Redeemed written off during the period	Balance at 30 June 2019
<b>ANNUITY LOANS</b>								
DBSA	12.27%	102857	2018	232 307	-	-	232 307	-
DBSA	6.75%	103143(2)	2018	322 882	-	-	322 882	-
DBSA	11.14%	103749	2020	5 681 626	-	-	2 089 621	3 592 005
DBSA	8.57%	WC12007362.1	2021	9 327 161	-	-	487 872	8 839 289
DBSA	8.57%	WC12007362.2	2031	645 903	-	-	149 568	496 335
DBSA	8.82%	12007652	2022 / 2027	7 818 985	-	-	1 030 633	6 788 351
Standard Bank Loan	10.08%	514952	2024	-	-	10 000 000	348 714	9 651 286
<b>Total Annuity Loans</b>				24 028 863	-	10 000 000	4 661 597	29 367 266
<b>TOTAL EXTERNAL LOANS</b>				<b>24 028 863</b>	<b>-</b>	<b>10 000 000</b>	<b>4 661 597</b>	<b>29 367 266</b>

**APPENDIX B - Unaudited  
MATZIKAMA MUNICIPALITY  
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019  
GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R		2019 Actual Income R	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R
			<b>Governance and Administration</b>			
230 831	(14 180 563)	(13 949 732)	Executive & Council	26 930	(15 864 441)	(15 837 511)
137 281 917	(35 922 763)	101 359 153	Budget & Treasury Office	169 836 367	(40 138 631)	129 697 736
2 857 803	(17 741 518)	(14 883 715)	Corporate Services	826 799	(18 088 216)	(17 261 417)
			<b>Community and Public Safety</b>			
7 138 491	(13 060 045)	(5 921 554)	Community and Social Services	6 813 943	(18 256 235)	(11 442 293)
2 126 070	(5 897 048)	(3 770 978)	Sport and Recreation	2 272 160	(7 057 753)	(4 785 593)
10 812 009	(17 012 533)	(6 200 524)	Public Safety	21 324 803	(25 513 698)	(4 188 895)
867 671	(1 312 405)	(444 734)	Housing	526 624	(1 707 170)	(1 180 546)
-	-	-	Health	-	-	-
			<b>Economic and Environmental Services</b>			
627 731	(8 501 514)	(7 873 784)	Planning and Development	2 079 685	(9 273 593)	(7 193 908)
6 740 695	(24 697 653)	(17 956 958)	Road Transport	34 395 687	(27 593 479)	6 802 208
-	-	-	Environmental Protection	-	-	-
			<b>Trading Services</b>			
100 072 268	(97 728 849)	2 343 419	Electricity	113 975 337	(110 096 205)	3 879 132
11 015 989	(17 491 713)	(6 475 724)	Water	22 624 919	(24 722 957)	(2 098 038)
14 251 530	(12 762 548)	1 488 981	Waste Water Management	16 246 114	(13 426 743)	2 819 371
14 982 598	(22 295 024)	(7 312 426)	Waste Management	15 368 871	(24 128 226)	(8 759 355)
-						
-	(1 495 300)	(1 495 300)	<b>Other</b>	-	(1 659 712)	(1 659 712)
309 005 600	(290 099 476)	18 906 124	Sub Total	406 318 239	(337 527 061)	68 791 178
-	-	-	Less Inter-Departmental Charges			
309 005 600	(290 099 476)	18 906 124	<b>Total</b>	406 318 239	(337 527 061)	68 791 178

**APPENDIX C - Unaudited**  
**MATZIKAMA MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019**  
**MUNICIPAL VOTES CLASSIFICATIONS**

2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R		2019 Actual Income R	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R
			<b>Vote 1 - Council &amp; Executive</b>			
-	(9 963 942)	(9 963 942)	1.1 - Council	-	(10 124 653)	(10 124 653)
-	(2 293 210)	(2 293 210)	1.2 - Office of the Municipal Manager	-	(2 084 826)	(2 084 826)
-	(47 769)	(47 769)	1.3 - Internal Audit	-	(260 084)	(260 084)
-	-	-	1.4 - IDP	-	-	-
-	(63 960)	(63 960)	1.5 - Communication	-	(62 836)	(62 836)
223 070	(933 223)	(710 153)	1.6 - Risk- & Performance Management	26 930	(2 736 485)	(2 709 555)
0	-878458.92	(878 459)	1.7 - Political Office Bearers	-	(595 558)	(595 558)
			<b>Vote 2 - Financial Services</b>			
43 306 331	(12 369 136)	30 937 195	2.1 - Financial Management (BTO)	69 691 735	(10 630 374)	59 061 361
38 067 465	(18 671 248)	19 396 217	2.2 - Income	88 264 210	(18 028 443)	70 235 767
-	(4 889 643)	(4 889 643)	2.3 - Expenditure	-	(7 414 120)	(7 414 120)
-	(19 342)	(19 342)	2.4 - Supply Chain Management Unit	77 925	(15 878)	62 047
-	(1 735 276)	(1 735 276)	2.5 - ICT	-	(2 847 264)	(2 847 264)
			<b>Vote 3 - Corporate Services</b>			
194 588	(3 291 283)	(3 096 696)	3.1 - Legal & Administration Services	129 882	(5 424 556)	(5 294 674)
1 313 191	(10 303 437)	(8 990 246)	3.2 - Human Resources Management	696 916	(12 675 660)	(11 978 743)
6 259 937	(6 189 294)	70 643	3.3 - Library Services	6 157 841	(7 013 460)	(855 619)
			<b>Vote 4 - Community Development Services</b>			
2 207 794	(22 982 113)	(20 774 319)	4.1 - Community Services	1 719 752	(22 717 280)	(20 997 528)
47 843 729	(4 136 590)	43 707 138	4.2 - Town Planning & Building Control	288 204	(4 583 775)	(4 295 571)
853 539	(5 965 577)	(5 112 038)	4.3 - Economic Development & Tourism	3 313 305	(7 101 603)	(3 788 298)
15 348 260	(12 542 902)	2 805 358	4.4 - Protection Services	21 324 803	(25 050 957)	(3 726 154)
			<b>Vote 5 - Infrastructure Services</b>			
-	(7 225 913)	(7 225 913)	5.1 - Office of Infrastructure Services	705 783	(10 049 035)	(9 343 252)
11 270 167	(16 902 017)	(5 631 850)	5.2 - Water- Distribution & Treatment	23 618 790	(24 017 138)	(398 348)
19 304 490	(11 921 776)	7 382 713	5.3 - Sewerage & Wastewater Treatment	21 874 776	(12 717 934)	9 156 842
1 508 527	(20 258 171)	(18 749 644)	5.4 - Roads & Stormwater	33 689 904	(23 569 172)	10 120 732
1 851 881	(5 176 247)	(3 324 366)	5.5 - Parks, Sportgrounds & Cemeteries (C	213 310	(5 876 216)	(5 662 906)
19 256 797	(13 903 683)	5 353 115	5.6 - Waste Removal & Landfill sites	20 548 834	(12 871 356)	7 677 478
100 195 836	(97 435 266)	2 760 570	5.7 - Electro-Technical Services	113 975 337	(109 058 399)	4 916 938
309 005 600	(290 099 476)	18 906 124	Sub Total	406 318 239	(337 527 061)	68 791 178
-	-	-	Less Inter-Departmental Charges	-	-	-
309 005 600	(290 099 476)	18 906 124	<b>Total</b>	406 318 239	(337 527 061)	68 791 178



**APPENDIX D - Unaudited**  
**MATZIKAMA MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 1 JULY 2018 R	Contributions during the year R	Correction of error	Operating Expenditure during the year Transferred to Revenue R	Capital Expenditure during the year Transferred to Revenue R	Repaid to National/Provincial Revenue fund R	Balance 30 JUNE 2019 R	Unspent 30 JUNE 2019 (Creditor) R	Unpaid 30 JUNE 2019 (Debtor) R
<b>UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>									
<b><u>National Government Grants</u></b>									
Equitable Share	-	52 340 000	-	52 340 000	-	-	-	-	-
Department of Mineral Resources	-	2 500 000	-	-	2 500 000	-	0	-	-
Financial Management Grant	-	1 550 000	-	1 550 000	-	-	0	-	-
Municipal Infrastructure Grant	-	20 951 000	-	705 783	20 245 217	-	-	-	-
Expanded Public Works Programme	-	1 630 000	-	1 630 000	-	-	-	-	-
Municipal Water Infrastructure Grant	-	10 000 000	-	-	6 901 295	-	3 098 705	3 098 705	-
<b>Total National Government Grants</b>	<b>-</b>	<b>88 971 000</b>	<b>-</b>	<b>56 225 783</b>	<b>29 646 512</b>	<b>-</b>	<b>3 098 705</b>	<b>-</b>	<b>3 098 705</b>
<b><u>Provincial Government Grants</u></b>									
Community Development Workers	-	-	-	30 915	-	-	(30 915)	-	(30 915)
Library Services	-	7 698 000	-	6 949 626	748 374	-	-	-	-
Western Cape Financial Management Support Grant	-	330 000	-	-	330 000	-	-	-	-
Public Transport Infrastructure	-	78 000	-	78 000	-	-	-	-	-
Municipal Capacity Building Grant	119 696	360 000	-	119 502	-	-	360 194	360 194	-
Municipal Service Delivery and Capacity Building Grant	153 130	-	-	153 130	-	-	-	-	-
Thusong services centres operational grant	35 000	-	-	9 983	5 063	-	19 954	19 954	-
Human Settlements	4 032 267	1 000 000	-	438 750	750 000	-	3 843 517	3 843 517	-
Municipal Drought Relief Grant	11 282 103	-	-	-	2 024 916	-	9 257 186	9 257 186	-
Municipal Disaster Recovery Grant	7 077 772	-	-	-	4 246 325	-	2 831 447	2 831 447	-
Transport, Education and Training SETA	-	95 855	-	95 855	-	-	-	-	-
<b>Total Provincial Government Grants</b>	<b>22 699 967</b>	<b>9 561 855</b>	<b>-</b>	<b>7 875 761</b>	<b>8 104 679</b>	<b>-</b>	<b>16 281 383</b>	<b>-</b>	<b>16 312 298</b>
<b>TOTAL GOVERNMENT GRANTS</b>	<b>22 699 967</b>	<b>98 532 855</b>	<b>-</b>	<b>64 101 544</b>	<b>37 751 191</b>	<b>-</b>	<b>19 380 088</b>	<b>-</b>	<b>19 411 003</b>
<b><u>Other Grant providers:</u></b>									
TRONOX	-	5 000 000	-	-	1 665 281	-	3 334 719	3 334 719	-
<b>TOTAL OTHER GRANT PROVIDERS</b>	<b>-</b>	<b>5 000 000</b>	<b>-</b>	<b>-</b>	<b>1 665 281</b>	<b>-</b>	<b>3 334 719</b>	<b>-</b>	<b>3 334 719</b>
<b>TOTAL GRANTS</b>	<b>22 699 967</b>	<b>103 532 855</b>	<b>-</b>	<b>64 101 544</b>	<b>39 416 472</b>	<b>-</b>	<b>22 714 807</b>	<b>-</b>	<b>22 745 722</b>

**MATZIKAMA MUNICIPALITY - Reconciliation of Table A1 Budget Summary - Unaudited**

Description	2018/2019								2016/2017			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28 )	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
<b>R thousands</b>												
<b>Financial Performance</b>												
Property rates	47 103	0	47 103	43 225		(3 878)	91.8%	91.8%				44 727
Service charges	170 656	6 988	177 644	166 701		(10 943)	93.8%	97.7%				140 281
Investment revenue	1 632	1 900	3 532	3 312		(220)	93.8%	202.9%				2 498
Transfers recognised - operational	64 089	4 386	68 476	64 102		(4 374)	93.6%	100.0%				59 053
Other own revenue	30 039	26 178	56 217	57 594		1 377	102.4%	191.7%				26 581
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>313 520</b>	<b>39 452</b>	<b>352 973</b>	<b>334 934</b>		<b>(18 039)</b>	<b>94.9%</b>	<b>106.8%</b>				<b>273 139</b>
Employee costs	122 493	15 905	138 398	138 632	–	234	100.2%	113.2%	–	–	–	111 255
Remuneration of councillors	7 226	(291)	6 935	6 935	–	(0)	100.0%	96.0%	–	–	–	6 839
Debt impairment	13 478	4 322	17 800	18 293	–	493	102.8%	135.7%	–	–	–	17 675
Depreciation & asset impairment	15 030	1 246	16 277	14 562	–	(1 715)	89.5%	96.9%	–	–	–	13 965
Finance charges	10 099	(2 474)	7 625	8 231	–	606	107.9%	81.5%	–	–	–	8 242
Materials and bulk purchases	106 145	1 396	107 541	103 984	–	(3 557)	96.7%	98.0%	–	–	–	96 141
Transfers and grants	1 511	25	1 537	1 249	–	(287)	81.3%	82.6%	–	–	–	1 428
Other expenditure	37 325	19 392	56 717	45 640	–	(11 077)	80.5%	122.3%	–	–	–	34 553
<b>Total Expenditure</b>	<b>313 308</b>	<b>39 522</b>	<b>352 830</b>	<b>337 527</b>	–	<b>(15 303)</b>	<b>95.7%</b>	<b>107.7%</b>	–	–	–	<b>290 099</b>
<b>Surplus/(Deficit)</b>	<b>213</b>	<b>(70)</b>	<b>143</b>	<b>(2 593)</b>		<b>(2 736)</b>	<b>-1815.5%</b>	<b>-1219.1%</b>				<b>(16 960)</b>
Transfers recognised - capital	40 317	12 308	52 625	37 751		(14 874)	71.7%	93.6%				35 858
Contributions recognised - capital & contributed assets	5 000	–	5 000	33 633		28 633	0.0%	672.7%				8
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>45 530</b>	<b>12 238</b>	<b>57 768</b>	<b>68 791</b>		<b>11 023</b>	<b>119.1%</b>	<b>151.1%</b>				<b>18 906</b>
Share of surplus/ (deficit) of associate	–	–	–	–		–	0.0%	0.0%				–
<b>Surplus/(Deficit) for the year</b>	<b>45 530</b>	<b>12 238</b>	<b>57 768</b>	<b>68 791</b>		<b>11 023</b>	<b>119.1%</b>	<b>151.1%</b>				<b>18 906</b>
<b>Capital expenditure &amp; funds sources</b>												
<b>Capital expenditure</b>												
Transfers recognised - capital	40 317	17 308	57 625	34 100		(23 525)	59.2%	84.6%				31 475
Public contributions & donations	5 000	(5 000)	–	–		–	0.0%	0.0%				–
Borrowing	10 000	–	10 000	9 572		(428)	0.0%	0.0%				–
Internally generated funds	4 545	1 101	5 646	4 047		(1 599)	71.7%	89.0%				9 179
<b>Total sources of capital funds</b>	<b>59 862</b>	<b>13 409</b>	<b>73 271</b>	<b>47 719</b>		<b>(25 551)</b>	<b>65.1%</b>	<b>79.7%</b>				<b>40 655</b>
<b>Cash flows</b>												
Net cash from (used) operating	57 296	(20 552)	36 744	32 558		(4 186)	88.6%	56.8%				81 502
Net cash from (used) investing	(49 309)	(13 409)	(62 718)	(48 198)		14 520	76.8%	97.7%				(37 610)
Net cash from (used) financing	196	3 918	4 115	612		(3 502)	14.9%	311.7%				(1 555)
<b>Cash/cash equivalents at the year end</b>	<b>27 869</b>	<b>(3 275)</b>	<b>24 593</b>	<b>31 425</b>		<b>6 831</b>	<b>127.8%</b>	<b>112.8%</b>				<b>46 453</b>

**MATZIKAMA MUNICIPALITY - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification) - Unaudited**

Description	2018/2019								2017/18			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
<b>Revenue - Functional</b>												
<b>Governance and administration</b>	161 881	25 932	187 813	171 220		(16 593)	91.2%	105.8%				140 371
Executive and council	–	27	27	27		–	100.0%	#DIV/0!				231
Finance and administration	161 881	25 905	187 786	171 193		(16 593)	91.2%	105.8%				140 140
Internal audit	–	–	–	–		–	0.0%	0.0%				–
<b>Community and public safety</b>	10 904	3 511	14 415	9 613		(4 802)	66.7%	88.2%				10 132
Community and social services	7 854	(166)	7 688	6 814		(874)	88.6%	86.8%				7 138
Sport and recreation	2 705	0	2 706	2 272		(433)	84.0%	84.0%				2 126
Public safety	–	–	–	–		–	0.0%	0.0%				–
Housing	344	3 677	4 021	527		(3 495)	13.1%	153.0%				868
Health	–	–	–	–		–	0.0%	0.0%				–
<b>Economic and environmental services</b>	15 344	13 830	29 174	57 800		28 626	198.1%	376.7%				18 180
Planning and development	5 494	126	5 620	2 080		(3 540)	37.0%	37.9%				628
Road transport	9 851	13 703	23 554	55 720		32 167	236.6%	565.7%				17 553
Environmental protection	–	–	–	–		–	0.0%	0.0%				–
<b>Trading services</b>	170 709	8 487	179 196	167 685		(11 510)	93.6%	98.2%				140 322
Energy sources	123 171	299	123 470	113 445		(10 024)	91.9%	92.1%				100 072
Water management	15 308	6 988	22 296	22 625		329	101.5%	147.8%				11 016
Waste water management	15 919	1 200	17 119	16 246		(873)	94.9%	102.1%				14 252
Waste management	16 311	0	16 311	15 369		(942)	94.2%	94.2%				14 983
<b>Other</b>	–	–	–	–		–	0.0%	0.0%				–
<b>Total Revenue - Standard</b>	<b>358 838</b>	<b>51 760</b>	<b>410 598</b>	<b>406 318</b>		<b>(4 280)</b>	<b>99.0%</b>	<b>113.2%</b>				<b>309 006</b>
<b>Expenditure - Functional</b>												
<b>Governance and administration</b>	73 212	11 906	85 119	74 091	–	(11 028)	87.0%	101.2%	–	–	–	67 845
Executive and council	14 100	3 296	17 395	15 864	–	(1 531)	91.2%	112.5%	–	–	–	14 181
Finance and administration	59 113	8 611	67 724	58 227	–	(9 497)	86.0%	98.5%	–	–	–	53 664
Internal audit	–	–	–	–	–	–	0.0%	0.0%	–	–	–	–
<b>Community and public safety</b>	24 356	7 351	31 707	27 021	–	(4 686)	85.2%	110.9%	–	–	–	20 269
Community and social services	15 283	3 860	19 143	18 256	–	(887)	95.4%	119.5%	–	–	–	13 060
Sport and recreation	7 631	(155)	7 476	7 058	–	(418)	94.4%	92.5%	–	–	–	5 897
Public safety	–	–	–	–	–	–	0.0%	0.0%	–	–	–	–
Housing	1 442	3 646	5 088	1 707	–	(3 381)	33.6%	118.4%	–	–	–	1 312
Health	–	–	–	–	–	–	0.0%	0.0%	–	–	–	–
<b>Economic and environmental services</b>	51 853	10 429	62 282	62 381	–	99	100.2%	120.3%	–	–	–	50 212
Planning and development	10 892	(258)	10 633	9 274	–	(1 360)	87.2%	85.1%	–	–	–	8 502
Road transport	40 961	10 687	51 648	53 107	–	1 459	102.8%	129.7%	–	–	–	41 710
Environmental protection	–	–	–	–	–	–	0.0%	0.0%	–	–	–	–
<b>Trading services</b>	162 300	9 597	171 897	172 374	–	478	100.3%	106.2%	–	–	–	150 278
Energy sources	105 555	6 163	111 718	110 096	–	(1 622)	98.5%	104.3%	–	–	–	97 729
Water management	20 763	3 606	24 368	24 723	–	355	101.5%	119.1%	–	–	–	17 492
Waste water management	13 919	(1 064)	12 855	13 427	–	571	104.4%	96.5%	–	–	–	12 763
Waste management	22 063	892	22 955	24 128	–	1 173	105.1%	109.4%	–	–	–	22 295
<b>Other</b>	1 587	239	1 826	1 660	–	(166)	90.9%	104.6%	–	–	–	1 495
<b>Total Expenditure - Standard</b>	<b>313 308</b>	<b>39 522</b>	<b>352 830</b>	<b>337 527</b>	–	<b>(15 303)</b>	<b>95.7%</b>	<b>107.7%</b>	–	–	–	<b>290 099</b>
<b>Surplus/(Deficit) for the year</b>	<b>45 530</b>	<b>12 238</b>	<b>57 768</b>	<b>68 791</b>	–	<b>11 023</b>	<b>119.1%</b>	<b>151.1%</b>	–	–	–	<b>18 906</b>

**MATZIKAMA MUNICIPALITY - Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote) - Unaudited**

Vote Description  R thousand	2018/2019								2017/18			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Revenue by Vote</b>												
Vote 1 - Council & Executive	–	27	27	27		–	100.0%	#DIV/0!				231
Vote 2 - Financial Services	151 610	25 134	176 744	158 034		(18 710)	89.4%	104.2%				127 577
Vote 3 - Corporate Services	7 625	51	7 676	6 985		(692)	91.0%	91.6%				1 508
Vote 4 - Community Development Services	16 903	17 206	34 109	26 646		(7 463)	78.1%	157.6%				47 172
Vote 5 - Infrastructure Services	182 699	9 342	192 042	214 627		22 585	111.8%	117.5%				132 518
	–	–	–	–		–	0.0%	0.0%				–
<b>Total Revenue by Vote</b>	<b>358 838</b>	<b>51 760</b>	<b>410 598</b>	<b>406 318</b>		<b>(4 280)</b>	<b>99.0%</b>	<b>113.2%</b>				<b>309 006</b>
<b>Expenditure by Vote to be appropriated</b>												
Vote 1 - Council & Executive	14 100	3 296	17 395	15 864	(1 531)	(1 531)	91.2%	112.5%	–	–	–	14 181
Vote 2 - Financial Services	42 803	4 582	47 386	38 936	(8 450)	(8 450)	82.2%	91.0%	–	–	–	35 839
Vote 3 - Corporate Services	21 679	3 837	25 516	25 114	(402)	(402)	98.4%	115.8%	–	–	–	15 330
Vote 4 - Community Development Services	45 546	14 907	60 453	59 454	(999)	(999)	98.3%	130.5%	–	–	–	68 774
Vote 5 - Infrastructure Services	189 180	12 900	202 080	198 159	(3 921)	(3 921)	98.1%	104.7%	–	–	–	155 975
	–	–	–	–	–	–	0.0%	#DIV/0!	–	–	–	–
<b>Total Expenditure by Vote</b>	<b>313 308</b>	<b>39 522</b>	<b>352 830</b>	<b>337 527</b>	<b>(15 303)</b>	<b>(15 303)</b>	<b>95.7%</b>	<b>107.7%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>290 099</b>
<b>Surplus/(Deficit) for the year</b>	<b>45 530</b>	<b>12 238</b>	<b>57 768</b>	<b>68 791</b>		<b>11 023</b>	<b>119.1%</b>	<b>151.1%</b>				<b>18 906</b>

**MATZIKAMA MUNICIPALITY - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure) - Unaudited**

Description  R thousand	2018/2019								2017/18			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Revenue By Source</b>												
Property rates	47 103	0	47 103	43 225		(3 878)	91.8%	91.8%				44 727
Service charges - electricity revenue	123 171	0	123 171	113 445		(9 725)	92.1%	92.1%				100 072
Service charges - water revenue	15 308	6 988	22 296	22 625		329	101.5%	147.8%				11 016
Service charges - sanitation revenue	15 919	0	15 919	15 278		(642)	96.0%	96.0%				14 252
Service charges - refuse revenue	16 258	0	16 258	15 353		(905)	94.4%	94.4%				14 941
Service charges - other	–	–	–	–		–	0.0%	0.0%				–
Rental of facilities and equipment	1 513	825	2 338	2 290		(47)	98.0%	151.4%				1 597
Interest earned - external investments	1 632	1 900	3 532	3 312		(220)	93.8%	202.9%				2 498
Interest earned - outstanding debtors	3 285	1 129	4 414	4 900		486	111.0%	149.2%				2 835
Dividends received	–	–	–	–		–	0.0%	0.0%				–
Fines, penalties and forfeits	2 594	13 200	15 794	16 447		653	104.1%	634.0%				10 835
Licences and permits	1 126	0	1 127	1 010		(116)	89.7%	89.7%				1 302
Agency services	3 234	300	3 534	3 369		(165)	95.3%	104.2%				3 285
Transfers and subsidies	64 089	4 386	68 476	64 102		(4 374)	93.6%	100.0%				59 053
Other revenue	7 734	10 724	18 458	29 468		11 010	159.6%	381.0%				6 241
Gains on disposal of PPE	10 553	0	10 553	110		(10 443)	1.0%	1.0%				486
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>313 520</b>	<b>39 452</b>	<b>352 973</b>	<b>334 934</b>		<b>(18 039)</b>	<b>1322.0%</b>	<b>2335.5%</b>				<b>273 139</b>
<b>Expenditure By Type</b>												
Employee related costs	122 493	15 905	138 398	138 632	–	234	100.2%	113.2%	–	–	–	111 255
Remuneration of councillors	7 226	(291)	6 935	6 935	–	(0)	100.0%	96.0%	–	–	–	6 839
Debt impairment	13 478	4 322	17 800	18 293	–	493	102.8%	135.7%	–	–	–	17 675
Depreciation & asset impairment	15 030	1 246	16 277	14 562	–	(1 715)	89.5%	96.9%	–	–	–	13 965
Finance charges	10 099	(2 474)	7 625	8 231	–	606	107.9%	81.5%	–	–	–	8 242
Bulk purchases	94 443	(0)	94 443	94 145	–	(299)	99.7%	99.7%	–	–	–	87 612
Other materials	11 702	1 396	13 098	9 839	–	(3 258)	75.1%	0.0%	–	–	–	8 529
Contracted services	10 786	6 523	17 309	9 643	–	(7 666)	55.7%	89.4%	–	–	–	7 748
Transfers and subsidies	1 511	25	1 537	1 249	–	(287)	81.3%	82.6%	–	–	–	1 428
Other expenditure	26 539	12 869	39 408	35 850	–	(3 558)	91.0%	135.1%	–	–	–	26 157
Loss on disposal of PPE	–	–	–	147	–	147	0.0%	0.0%	–	–	–	649
<b>Total Expenditure</b>	<b>313 308</b>	<b>39 522</b>	<b>352 830</b>	<b>337 527</b>	<b>–</b>	<b>(15 303)</b>	<b>903.1%</b>	<b>930.1%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>290 099</b>
<b>Surplus/(Deficit)</b>	<b>213</b>	<b>(70)</b>	<b>143</b>	<b>(2 593)</b>	<b>–</b>	<b>(2 736)</b>	<b>-1815.5%</b>	<b>-1219.1%</b>				<b>(16 960)</b>
Transfers and subsidies - capital (monetary allocations)	40 317	12 308	52 625	37 751		(14 874)	71.7%	0.0%				35 858
Transfers and subsidies - capital (monetary allocations)	5 000	–	5 000	1 665		(3 335)	0.0%	33.3%				–
Transfers and subsidies - capital (in-kind - all)	–	–	–	31 968		31 968	0.0%	0.0%				8
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>45 530</b>	<b>12 238</b>	<b>57 768</b>	<b>68 791</b>		<b>11 023</b>	<b>119.1%</b>	<b>151.1%</b>				<b>18 906</b>
Taxation	–	–	–	–		–	0.0%	0.0%				–
<b>Surplus/(Deficit) after taxation</b>	<b>45 530</b>	<b>12 238</b>	<b>57 768</b>	<b>68 791</b>		<b>11 023</b>	<b>119.1%</b>	<b>151.1%</b>				<b>18 906</b>
Attributable to minorities	–	–	–	–		–	0.0%	0.0%				–
<b>Surplus/(Deficit) attributable to municipality</b>	<b>45 530</b>	<b>12 238</b>	<b>57 768</b>	<b>68 791</b>		<b>11 023</b>	<b>119.1%</b>	<b>151.1%</b>				<b>18 906</b>
Share of surplus/ (deficit) of associate	–	–	–	–		–	0.0%	0.0%				–
<b>Surplus/(Deficit) for the year</b>	<b>45 530</b>	<b>12 238</b>	<b>57 768</b>	<b>68 791</b>		<b>11 023</b>	<b>119.1%</b>	<b>151.1%</b>				<b>18 906</b>

**MATZIKAMA MUNICIPALITY - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding - Unaudited**

Vote Description  R thousand	2018/2019								2017/18			
	Original Budget	Total Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Capital expenditure - Vote</b>												
<b>Multi-year expenditure</b>												
Vote 1 - Council & Executive	900	(252)	648	610	–	(38)	94%	68%	–	–	–	–
Vote 2 - Financial Services	–	–	–	–	–	–	0%	0%	–	–	–	–
Vote 3 - Corporate Services	–	–	–	–	–	–	0%	0%	–	–	–	–
Vote 4 - Community Development Services	–	–	–	–	–	–	0%	0%	–	–	–	–
Vote 5 - Infrastructure Services	–	–	–	–	–	–	0%	0%	–	–	–	–
<b>Capital multi-year expenditure</b>	<b>900</b>	<b>(252)</b>	<b>648</b>	<b>610</b>	<b>–</b>	<b>(38)</b>	<b>94%</b>	<b>68%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Single-year expenditure</b>												
Vote 1 - Council & Executive	–	590	590	588	–	(2)	0%	0%	–	–	–	–
Vote 2 - Financial Services	425	225	650	471	–	(179)	72%	111%	–	–	–	–
Vote 3 - Corporate Services	955	22	977	856	–	(121)	88%	90%	–	–	–	–
Vote 4 - Community Development Services	845	557	1 402	957	–	(446)	68%	113%	–	–	–	–
Vote 5 - Infrastructure Services	56 737	12 266	69 004	44 238	–	(24 765)	64%	78%	–	–	–	37 068
	–	–	–	–	–	–	0%	0%	–	–	–	–
<b>Capital single-year expenditure</b>	<b>58 962</b>	<b>13 660</b>	<b>72 622</b>	<b>47 109</b>	<b>–</b>	<b>(25 513)</b>	<b>65%</b>	<b>80%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>37 068</b>
<b>Total Capital Expenditure - Vote</b>	<b>59 862</b>	<b>13 409</b>	<b>73 271</b>	<b>47 719</b>	<b>–</b>	<b>(25 551)</b>	<b>65%</b>	<b>80%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>37 068</b>
<b>Capital Expenditure - Functional</b>												
<b>Governance and administration</b>	<b>1 600</b>	<b>516</b>	<b>2 116</b>	<b>1 874</b>	<b>–</b>	<b>(242)</b>	<b>89%</b>	<b>117%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2 090</b>
Executive and council	900	338	1 238	1 198	–	(40)	97%	133%	–	–	–	660
Finance and administration	700	178	878	676	–	(202)	77%	97%	–	–	–	1 431
Internal audit	–	–	–	–	–	–	0%	0%	–	–	–	–
<b>Community and public safety</b>	<b>2 225</b>	<b>799</b>	<b>3 024</b>	<b>2 514</b>	<b>–</b>	<b>(510)</b>	<b>83%</b>	<b>113%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2 743</b>
Community and social services	930	682	1 612	1 283	–	(329)	80%	138%	–	–	–	346
Sport and recreation	1 295	57	1 352	1 231	–	(121)	91%	95%	–	–	–	2 397
Public safety	–	60	60	–	–	(60)	0%	0%	–	–	–	–
Housing	–	–	–	–	–	–	0%	0%	–	–	–	–
Health	–	–	–	–	–	–	0%	0%	–	–	–	–
<b>Economic and environmental services</b>	<b>22 636</b>	<b>(355)</b>	<b>22 280</b>	<b>19 397</b>	<b>–</b>	<b>(2 883)</b>	<b>87%</b>	<b>86%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>17 337</b>
Planning and development	185	(65)	120	95	–	(25)	79%	51%	–	–	–	42
Road transport	22 451	(290)	22 160	19 302	–	(2 858)	87%	86%	–	–	–	17 296
Environmental protection	–	–	–	–	–	–	0%	0%	–	–	–	–
<b>Trading services</b>	<b>33 402</b>	<b>12 448</b>	<b>45 850</b>	<b>23 934</b>	<b>–</b>	<b>(21 916)</b>	<b>52%</b>	<b>72%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>18 484</b>
Energy sources	6 900	(2 247)	4 653	4 139	–	(514)	89%	60%	–	–	–	1 950
Water management	19 510	14 096	33 605	13 102	–	(20 503)	39%	67%	–	–	–	11 772
Waste water management	1 892	1 659	3 551	2 791	–	(759)	79%	148%	–	–	–	2 740
Waste management	5 100	(1 058)	4 042	3 903	–	(139)	97%	77%	–	–	–	2 022
<b>Other</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>0%</b>	<b>0%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total Capital Expenditure - Standard</b>	<b>59 862</b>	<b>13 409</b>	<b>73 271</b>	<b>47 719</b>	<b>–</b>	<b>(25 551)</b>	<b>65%</b>	<b>80%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>40 655</b>
<b>Funded by:</b>												
National Government	35 949	4 624	40 573	30 236	–	(10 337)	75%	84%	–	–	–	30 162
Provincial Government	4 369	7 683	12 052	2 416	–	(9 636)	20%	55%	–	–	–	1 314
District Municipality	–	–	–	–	–	–	0%	0%	–	–	–	–
Other transfers and grants	–	5 000	5 000	1 448	–	(3 552)	0%	0%	–	–	–	–
<b>Transfers recognised - capital</b>	<b>40 317</b>	<b>17 308</b>	<b>57 625</b>	<b>34 100</b>	<b>–</b>	<b>(23 525)</b>	<b>59%</b>	<b>85%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>31 475</b>
<b>Public contributions &amp; donations</b>	<b>5 000</b>	<b>(5 000)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>0%</b>	<b>0%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Borrowing</b>	<b>10 000</b>	<b>–</b>	<b>10 000</b>	<b>9 572</b>	<b>–</b>	<b>(428)</b>	<b>0%</b>	<b>0%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Internally generated funds</b>	<b>4 545</b>	<b>1 101</b>	<b>5 646</b>	<b>4 047</b>	<b>–</b>	<b>(1 599)</b>	<b>72%</b>	<b>89%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>9 179</b>
<b>Total Capital Funding</b>	<b>59 862</b>	<b>13 409</b>	<b>73 271</b>	<b>47 719</b>	<b>–</b>	<b>(25 551)</b>	<b>65%</b>	<b>80%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>40 655</b>

**MATZIKAMA MUNICIPALITY - Reconciliation of Table A7 Budgeted Cash Flows - Unaudited**

Description	2018/2019							2017/18
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
<b>Receipts</b>								
Property rates, penalties and collection charges	44 012	(513)	43 499	43 452	(47)	99.9%	98.7%	39 973
Service charges	159 456	4 596	164 052	157 202	(6 850)	95.8%	98.6%	144 374
Other revenue	18 393	1 054	19 448	17 423	(2 024)	89.6%	94.7%	9 165
Government - operating	64 089	2 769	66 858	64 709	(2 149)	96.8%	101.0%	58 817
Government - capital	40 317	(1 824)	38 494	38 824	330	100.9%	96.3%	58 066
Interest	4 918	2 691	7 609	8 212	603	107.9%	167.0%	5 332
Dividends	–	–	–	–	–	0.0%	0.0%	–
<b>Payments</b>								
Suppliers and employees	(269 219)	(30 687)	(299 906)	(287 785)	12 122	96.0%	106.9%	(224 546)
Finance charges	(3 159)	1 386	(1 773)	(8 231)	(6 458)	464.2%	260.6%	(8 242)
Transfers and Grants	(1 511)	(25)	(1 537)	(1 249)	287	81.3%	82.6%	(1 436)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>57 296</b>	<b>(20 552)</b>	<b>36 744</b>	<b>32 558</b>	<b>(4 186)</b>	<b>0.0%</b>	<b>0.0%</b>	<b>81 502</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
<b>Receipts</b>								
Proceeds on disposal of PPE	10 553	–	10 553	184	(10 369)	1.7%	1.7%	1 204
Decrease (Increase) in non-current debtors	–	–	–	(662)	(662)	0.0%	0.0%	(35)
Decrease (increase) other non-current receivables	–	–	–	–	–	#DIV/0!	#DIV/0!	–
Decrease (increase) in non-current investments	–	–	–	–	–	0.0%	0.0%	–
<b>Payments</b>								
Capital assets	(59 862)	(13 409)	(73 271)	(47 719)	25 551	65.1%	79.7%	(38 780)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(49 309)</b>	<b>(13 409)</b>	<b>(62 718)</b>	<b>(48 198)</b>	<b>14 520</b>	<b>0.0%</b>	<b>0.0%</b>	<b>(37 610)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
<b>Receipts</b>								
Short term loans	–	–	–	–	–	0.0%	0.0%	–
Borrowing long term/refinancing	10 000	–	10 000	10 000	–	0.0%	0.0%	–
Increase (decrease) in consumer deposits	(4 452)	4 302	(150)	(4 726)	(4 576)	3156.1%	106.2%	280
<b>Payments</b>								
Repayment of borrowing	(5 352)	(384)	(5 736)	(4 662)	1 074	81.3%	87.1%	(1 835)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>196</b>	<b>3 918</b>	<b>4 115</b>	<b>612</b>	<b>(3 502)</b>	<b>14.9%</b>	<b>311.7%</b>	<b>(1 555)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>8 183</b>	<b>(30 042)</b>	<b>(21 859)</b>	<b>(15 028)</b>				
Cash/cash equivalents at the year begin:	19 686	26 767	46 453	46 453				4 116
Cash/cash equivalents at the year end:	27 869	(3 275)	24 593	31 425	–	127.8%	112.8%	46 453